SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 [Fee Required] for the fiscal year ended October 31, 1999 or Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 [No Fee Required] for the transition period from _________ to _________.

Commission File No. 0-9143

HURCO COMPANIES, INC.

(Exact name of registrant as specified in its charter)

Indiana 35-1150732

(State or other jurisdiction of (I.R.S. Employer Identification Number) incorporation or organization)

One Technology Way

Indianapolis, Indiana 46268

(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code (317) 293-5309

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: Common Stock, No Par Value

(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to the filing requirements for at least the past 90 days. Yes X No

The aggregate market value of the Registrant's voting stock held by non-affiliates as of, January 11, 2000 was $20,087,524.

The number of shares of the Registrant's common stock outstanding as of January 11, 2000 was 5,951,859.

DOCUMENTS INCORPORATED BY REFERENCE: None

Indicate by check mark if disclosure of delinquent filers pursuant to Rule 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

PART I

Item 1. BUSINESS

(a) General Development of Business

Hurco Companies, Inc. is an industrial automation systems company. We design and produce interactive computer numerical control (CNC) systems and software and computerized machine systems for sale through our own distribution network to the worldwide metal working market. Our proprietary CNC systems and related software products are either sold as an integral component of our own computerized machine systems or sold separately to machine tool end-users and other machine tool manufacturers who integrate them with their own products.

We pioneered the application of microprocessor technology and conversational programming software to machine tool controls and, since our founding in 1968, have been a leader in the introduction of interactive CNC systems that automate manufacturing processes and improve productivity in certain segments of the metalworking industry. We have concentrated on designing "user-friendly" CNC systems that can be operated by both skilled and unskilled machine tool operators and yet are capable of instructing a machine tool to perform complex tasks. The combination of microprocessor technology and patented interactive, conversational programming software in our CNC systems enables operators on the production floor to quickly and easily create a program for machining or forming a particular part from a blueprint or electronic design and immediately begin production of that part.

Our executive offices and principal design, engineering, and manufacturing management operations are headquartered in Indianapolis, Indiana. Sales, application engineering and service offices are located in Indianapolis, Indiana; Farmington Hills, Michigan; High Wycombe, England; Munich, Germany; Paris, France; Milan, Italy and Singapore. A United States distribution facility is located in Long Beach, California.

(b) Financial Information About Industry Segments

We operate in one business segment, industrial automation systems, as discussed further in Note 14 in the Consolidated Financial Statements.

(c) Narrative Description of Business

General

The manufacture of metal parts for industrial and consumer products primarily involves two major processes: metal cutting and metal forming. These processes are performed by machine tools. Metal cutting machine tools produce parts by milling, drilling, turning and grinding a solid block of metal. Metal forming machine tools fabricate parts by shearing, punching, forming and bending flat sheets of metal.

Approximately three-fourths of the world's machine tools are made for metal cutting applications. The milling machine is one of the most common types of metal cutting machines. Milling machines shape a part by moving a rotating cutting tool, such as a drill, tap or mill, across a metal block. Although a majority of the milling machines in current use are still manually operated, an increasing number are now operated using CNC systems such as those produced by our company. CNC-operated milling machines automatically and precisely shape parts by directing the movement of a cutting tool according to a program specifically designed for the desired part. Some CNC-operated milling machines, referred to as machining centers, are equipped with automatic tool changers that enable several different cutting tools to be used in a programmed sequence on the same part with little interruption time to change cutting tools.

Metal forming machines include press brakes, presses, shears and punches. The press brake is the basic machine tool used to perform simple bending operations on a wide variety of sheet metal to create parts such as computer cabinets, door frames, aircraft components and electrical enclosures. Each press brake uses one or more manual or automated gauge systems that determine where the bend will be made in the sheet metal part. Automated press brakes utilize CNC systems such as those we produce.

We have pursued a strategy that is focused on developing and distributing to the worldwide metal working market a comprehensive line of interactive CNC products that incorporate proprietary technology designed to enhance the user's productivity through ease of operation and adaptability to a wide range of manufacturing applications. As part of this strategy, we have adopted an open systems architecture that permits our CNC systems and software to be used with a variety of hardware platforms and have emphasized an "operator friendly" design that employs interactive "conversational" programming software. We outsource substantially all of our manufacturing operations to independent contract manufacturers and concentrate our resources on product research, development, design and engineering, marketing, distribution and customer service.

Products

Our principal products consist primarily of computerized machine systems

(CNC-operated milling machines, machining centers and metal forming press brakes) into which our proprietary software and CNC systems have been fully integrated. We also produce CNC systems and related software for both metal cutting and metal forming machines that are sold primarily as retrofit control systems. In addition, we produce and distribute software options, control upgrades, hardware accessories and replacement parts and provide operator training and support services to our customers.

The following table sets forth the contribution of each of these product groups to our total sales and service fees during each of the past three fiscal years:

(Dollars in thousands)	Year Ended October 31, 1999		1998		1997	
Computerized Machine Systems...........	$63,793	(72.3%)	$64,770	(69.3%)	$61,679	(64.4%)
CNC Systems and Software*..............	10,623	(12.0%)	14,727	(15.8%)	19,296	(20.2%)
Service Parts..........................	9,574	(10.9%)	9,424	(10.1%)	9,612	(10.0%)
Service Fees...........................	4,248	(4.8%)	4,501	(4.8%)	5,142	(5.4%)
	$88,238	(100.0%)	$93,422	(100.0%)	$95,729	(100.0%)

* Amounts shown do not include CNC systems sold as an integrated component of computerized machine systems.

Computerized Machine Systems

Metal Cutting Systems - Ultimax(R)

We design and market computerized machine systems which are equipped with a fully integrated interactive Ultimax(R) CNC system. All of these machines are built to our specifications by independent contract manufacturers utilizing our own CNC systems. Our current line of machine tools is a complete family of products with different levels of performance features for different market applications ranging in price from $25,000 to $165,000.

Our computerized machine systems line consists of two milling machines with an x-axis travel of 30 inches and 40 inches and computerized machining centers with an x-axis travel of 24, 30, 40 and 64 inches.

Metal Cutting Systems - DynaPath(TM)

In fiscal 1998, we expanded our product strategy to include marketing milling machines featuring fully integrated Delta(TM) CNC systems. These machine systems are sold under the DynaPath(TM) name through one of our subsidiaries. In fiscal 1999, we further expanded this product line to include turning machines.

Metal Forming Systems

In the first quarter of fiscal 1998, we introduced an up-acting press brake line (bending machine) that incorporates our Autobend(R) CNC system. This product is sold to the North American market by independent distributors and, in certain territories, by direct sales personnel. We also began offering European style precision-ground tooling which is sold either in conjunction with a press brake or directly to end-users of press brakes. In November 1999, we introduced a down-acting press brake line and American style precision ground tooling. Both of these products are expected to impact sales and service fees in the second half of fiscal 2000.

CNC Systems and Software

Our CNC systems and software are marketed under the tradenames Ultimax(R), Dynapath(TM) UltiPath(TM), Delta (TM) and Autobend(R). The Ultimax(R), UltiPath(TM) and Delta(TM) product lines are used to control metal cutting machine tools. Autobend(R) CNC systems and Autobend PC(R) are used to control metal forming press brakes.

o Ultimax(R)

Our patented Ultimax(R) twin screen "conversational" CNC system, sold solely as a fully integrated feature of a Hurco computerized machine system, incorporates an interactive and powerful "data block" programming methodology supported by extensive geometric and process data calculation software tools. This CNC system enables a machine operator to create complex two-dimensional part programs directly from blue print inspection. Machine operators with little or no programming experience can successfully program parts and begin cutting operations in a short time with minimum special training. Since the initial introduction of the Ultimax(R) CNC in 1984, we have added enhancements related to operator programming productivity, CAD compatibility, data processing throughput and motion control speed and accuracy. In 1998, we introduced Ultimax(R) 4 programming stations, which use a Pentium* processor featuring an operator console with liquid crystal display screens. By incorporating Industry Standard Architecture (ISA) personal computer (PC) platform components, this CNC product offers

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* Pentium is a registered trademark of Intel Corporation

improved performance while ensuring access to the most effective computing hardware and software technology.

o UltiPath(TM)

UltiPath(TM) is a low-cost, interactive PC-based CNC system that permits conversational programming. This control product is intended for the 2-axis and 3-axis entry level machining market and enables skilled and unskilled machine operators to convert manual machine operations to easy-to-use CNC parts processing. The UltiPath(TM) CNC embodies our patented interactive machining technology and our recently patented "Object Oriented" software design methodology. The control utilizes the Windows** operating system as a key component of its executive software. The product is marketed through distributors to end-users and to CNC control integrators and retrofitters serving the large installed base of manual milling machines.

o Delta(TM) Series

Our Delta(TM) series CNCs, which feature microprocessor-based electronics incorporating ISA computer platform components, are designed for the worldwide metalworking industry and are used on milling machines, machining centers, turning centers and punching equipment. The Delta(TM) CNC system is based on industry standard point-to-point programming methodology but incorporates software features that group industry standard commands into useful part features, such as circles and frames, to simplify programming. The Delta(TM) CNCs are designed and configured as general-purpose products, which offer flexibility, reliability and ease of integration with a wide variety of machine designs. The Delta(TM) CNC System is sold either as an integrated component of our Dynapath(TM) Machine System or to end-users of a wide range of machine tool systems, primarily through retrofitters.

o Autobend(R)

Autobend(R) CNC systems are applied to press brakes that form parts from sheet metal and consist of a microprocessor-based CNC and back gauge. We have manufactured and sold the Autobend(R) product line since 1968. We currently market two models of our press brake CNC systems, in combination with six different back gauges, through distributors to end-users as retrofit units for installation on existing or new press brakes, as well as to original equipment manufacturers and importers of press brakes. The Autobend(R) CNC system is sold as a fully integrated feature of our press brake system.

o CAM and Software Products

In addition to our CNC product lines, we offer metal cutting and forming software products for programming two and three-dimensional parts. The primary products in this line are the Ultimax(R) PC and PC+, off-line programming systems and a computer aided design (CAD)-compatible DXF (data file translation) software option. The products are marketed to users of both Ultimax(R) and competitive CNC systems. Significant features of the Ultimax(R) PC and PC+ include a CNC-compatible user interface, CAD compatibility and the availability of a configurable post processor. The DXF software option eliminates manual data entry of part features by transferring AutoCAD(TM) drawing files directly into an Ultimax(R) CNC or the off-line programming system software, substantially increasing operator productivity. In fiscal 2000, our PC and PC+ will be upgraded to Windows** based software and will be called WinMax. We have augmented our Autobend(R) product line with a computer-aided manufacturing (CAM)

** Windows is a registered trademark of Microsoft Corporation

software product, Autobend PC(R), that enables the user to create and manipulate CNC compatible metal forming programs on a personal computer.

In fiscal 1997, we introduced UltiPro(TM), a high-speed machining software product for our Pentium*-based Ultimax(R) CNC platform. The UltiPro(TM) software enables a customer to increase machining productivity through the purchase of our computerized machine system or by retrofitting and upgrading an existing 486 PC-based Ultimax(R) system with our Pentium* platform and the UltiPro(TM) software. In fiscal 1998, we introduced UltiNet(TM), a networking product for use by our customers to transfer part design and manufacturing information to computerized machine systems at high speeds and to network computerized machine systems within a customer's manufacturing facility.

Parts and Service

Our in-house service organization provides installation, operator training and customer support for our products. Our principal distributors in the United States have primary responsibility for machine installation and warranty service and support for new product sales. Our own service organization continues to provide installation and warranty service and support in certain direct sales territories. It also continues to service and support the installed base of discontinued models and supports our distributors with respect to complex service operations. We also provide software options, CNC upgrades, accessories and replacement parts for our products. Among the options are software programs and additional CNC features that allow a customer to upgrade the performance of its Hurco machine systems. Our after-sale parts and service business helps strengthen our customer relationships and provides continuous information concerning the evolving requirements of end-users.

Marketing and Distribution

We continually strive to improve our global marketing and distribution network. During fiscal 1999, 1998 and 1997, we focused on strengthening our network of independent distributors in the United States and on improved selling programs and training. In fiscal 1999, we converted to direct sales agents from distributors in the United Kingdom. In November 1999, we converted two sales territories in the Midwest United States from independent distributors to a direct sales force. Also, in November 1999, we established a direct sales subsidiary in Italy.

The end-users of our products are precision tool, die and mold manufacturers, independent metal parts manufacturers and specialized production groups within large manufacturing corporations. Industries served include aerospace, defense, medical equipment, energy, injection molding, transportation and computer equipment.

Our computerized machine systems (integrated CNC-operated milling machines, machining centers and press brakes) along with software options and accessories, are sold primarily to end-users. We sell certain CNC systems (i) to original equipment manufacturers of new machine tools who integrate them with their own products prior to the sale of those products to their own customers, (ii) to retrofitters of used machine tools who integrate them with those machine tools as part of the retrofitting operation and (iii) to end-users who have an installed base of machine tools, either with or without related CNC systems. During fiscal 1999, no single end-user of our products accounted for more than 5% of our total sales and service fees.

We sell our products through over 260 independent agents and distributors in 58 countries throughout North America, Europe and Asia. We also have our own direct sales personnel in the

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* Pentium is a registered trademark of Intel Corporation

United States, England, France, Germany, Italy and Singapore, which are considered to be among the world's principal computerized machine system consuming countries. During fiscal 1999, no distributor accounted for more than 5% of our sales and service fees. We have continuing agreements with all of our distributors, but may terminate those agreements upon prior notice ranging from 30 days to 180 days. Approximately 80% of the worldwide demand for computerized machine systems and CNC systems comes from outside the U.S. and accordingly, we consider our international market presence to be critical to our operations.

We believe changing industrial technology and the related need for process improvements and also capacity expansion drives the demand for computerized machine systems and CNC systems. Factors affecting demand include: (i) the declining supply of skilled machinists, (ii) the need to continuously improve productivity and shorten cycle time, (iii) an aging machine tool installed base that will require replacement with more advanced and efficient technology and (iv) the industrial development of emerging countries in Asia and Eastern Europe. However, the demand for computerized machine systems and related products is highly dependent upon economic conditions and the general level of business confidence, as well as such factors as production capacity utilization and changes in governmental policies regarding tariffs, corporate taxation and other investment incentives. By marketing and distributing our products on a worldwide basis, we attempt to reduce the potential impact on our total sales and service fees by adverse changes in economic conditions in any particular geographic region.

Competition

Numerous companies compete with our product lines in both the United States and international markets. Many of these competitors are larger and have greater financial resources than we do. We strive to compete effectively by designing into our products critical proprietary features that offer a distinct value differential from comparably priced competitive products in terms of enhanced productivity, technological capabilities and ease of use. In addition, by offering our products in a range of prices and capabilities, we seek to meet the needs of a broad potential market. We also believe that our competitiveness is aided by our reputation for reliability and quality, our strong international sales and distribution organization and our extensive customer service organization.

In the United States and European metal cutting markets, major competitors include Haas Automation, Inc., Cincinnati Machine, Bridgeport Machines, Inc. and Fadal Engineering along with a large number of foreign manufacturers including Okuma Machinery Works Ltd., Mori Seiki Co., Ltd. and Matsuura Machinery Corporation. The largest competitors with respect to our computerized forming machine systems include Amada Co. Ltd. and Trumph.

We believe we are one of the largest domestic manufacturers of CNC gauging systems for press brakes. In the United States CNC gauging systems market for press brakes, we compete with Automec, Inc., a CNC gauge manufacturer, and Cybelec SA, a control manufacturer. We also compete with Cybelec in Europe.

Manufacturing

We have established a manufacturing strategy that includes the development of a global network of contract manufacturers who manufacture our products in accordance with our design, quality and cost specifications. This has enabled us to lower product costs, lower working capital per sales dollar and increase our worldwide manufacturing capacity without significant incremental investment in capital equipment or increased personnel.

Our computerized machine systems are manufactured to our specifications by manufacturing contractors in Taiwan and in Europe. We have worked closely with our contract manufacturers to increase their production capacity to meet the rising demand for our machine tool products and believe that such capacity is sufficient to meet our current and projected demand. Although we are exploring additional manufacturing sources for certain of our computerized machine systems, alternative sources are not readily obtainable and any significant reduction in capacity or performance capability of our principal manufacturing contractors would have a material adverse effect on our operations.

We have a contract manufacturing agreement with a Taiwanese-based affiliate in which we have a 35% ownership interest. This company is manufacturing most of our CNC systems to our specifications and supplies certain proprietary and standard components for use in our domestic production. We believe that alternative sources for the proprietary components are readily available.

Backlog

Backlog consists of firm orders received from customers and distributors but not shipped. Backlog was $8.5 million, $7.5 million and $7.4 million as of October 31, 1999, 1998 and 1997, respectively.

Intellectual Property

We consider certain features of our products to be proprietary and we own, directly or through a subsidiary, a number of patents that are significant to our business. IMS Technology, Inc. (IMS), a wholly owned subsidiary, owns domestic and foreign patents covering the machining method practiced when a machine tool is integrated with an interactive CNC (these patents are collectively referred to as the "Interactive Machining Patents"). We also hold a non-exclusive license covering features of the automatic tool changer offered with certain of our CNC machining centers. We also own a patent on an object-oriented, open architecture methodology for CNC software.

Beginning in October 1995, IMS initiated a number of infringement actions against enterprises that it believed were employing or practicing machining methods covered by one of the Interactive Machining Patents. These enterprises included end-users of interactive CNCs, machine tool builders employing interactive CNCs within their products and CNC manufacturers whose control designs permit use of interactive methods when coupled to machine tools (CNC Users). At the present date, all but one action has been settled through licensing arrangements or litigation settlements. See Item 3. Legal Proceedings.

IMS has actively pursued a program to license the use of the Interactive Machining Patents. During the past three fiscal years, IMS entered into agreements with approximately 40 CNC Users under which IMS has granted a non-exclusive license to practice methods covered by the Interactive Machining Patents in exchange for lump-sum payments or fixed payments through fiscal 2001. We recorded license fee income of $.3 million, $6.3 million and $9.1 million, net of legal fees and expenses, in fiscal 1999, 1998 and 1997, respectively. Subject to the continuing validity of the U.S. Interactive Machining Patent, certain of the existing license agreements at October 31, 1999 are expected to result in additional license fee income, net of legal fees and expenses, of approximately $873,000 through fiscal 2001. In addition, IMS has received a royalty-free non-exclusive license under six patents owned by two of the licensees. There are a limited number of remaining CNC users that IMS has identified as potential licensees.

Research and Development

Research and development expenditures for new products and significant product improvements, included as period operating expenses, were $2.1 million, $2.0 million and $1.9 million in fiscal 1999, 1998 and 1997, respectively. In addition, we recorded expenditures of $1.0 million in 1999, $1.3 million in 1998 and $1.6 million in 1997 related to software development projects that were capitalized.

Employees

We had approximately 280 employees at the end of fiscal 1999, none of whom are covered by a collective-bargaining agreement or represented by a union. We have experienced no employee-generated work stoppages or disruptions and we consider our employee relations to be satisfactory.

(d) Financial Information About Geographic Areas

Financial information about geographic areas is set forth in Note 14 to the Consolidated Financial Statements.

We are subject to the risks of doing business on a global basis, including foreign currency fluctuation risks, changes in general economic and business conditions in the countries and markets that we serve and government actions and initiatives including import and export restrictions and tariffs.

Item 2. PROPERTIES

The following table sets forth the location, size and principal use of each of our facilities:

Location	Square Footage	Principal Uses
Indianapolis, Indiana	165,000(1)	Corporate headquarters, design and engineering, product testing, CNC assembly, sales, application engineering and customer service.
Long Beach, California	3,000	United States Distribution.
Farmington Hills, Michigan	37,500(2)	Design and engineering, product testing, CNC assembly, sales, application engineering and customer service.
High Wycombe, England	45,000(3)	Sales, application engineering and customer service.
Paris, France	2,800	Sales, application engineering and customer service.
Munich, Germany	10,700	Sales, application engineering and customer service.
Singapore	1,200	Sales, application engineering and

customer service.

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(1) Approximately 45,000 square feet is available for sublease in fiscal 2000.
(2) Approximately 24,000 square feet is under sublease through fiscal 2001.
(3) Approximately 24,000 square feet have been sublet to a subtenant since November 1995.

We own the Indianapolis facility and lease all other facilities. The leases have terms expiring at various dates ranging from January 2000 to February 2004. We believe that all of our facilities are well maintained and are adequate for our needs now and in the foreseeable future. We do not believe that we would experience any difficulty in replacing any of the present facilities if any of our leases were not renewed at expiration.

Item 3. LEGAL PROCEEDINGS

As previously reported, Hurco and IMS have been parties to a number of proceedings which involved alleged infringement of one of the Interactive Machining Patents. At the present date, all but one action has been settled through licensing arrangements or litigation settlements. The only remaining action is described below.

On July 3, 1997, IMS commenced an action in the United States District Court of Virginia against Haas Automation, Inc. and its owner (collectively, Haas) and certain other end-users and manufacturers of computerized machine tool systems. The action sought monetary damages and an injunction against future infringement. IMS subsequently entered into settlements with all defendants other than Haas and dismissed claims against them. As previously reported, on October 2, 1998 the trial court granted summary judgment in favor of Haas and dismissed the action, finding that there was no infringement by Haas based on the court's claim interpretation and its finding that a floppy disk is not the equal of a cassette tape. Haas' affirmative defenses challenging the validity of the IMS patent were also dismissed. IMS subsequently filed an appeal to the United States Court of Appeals for the Federal Circuit. The appeal seeks relief from the trial court's order regarding claim interpretation of the IMS patent, the order granting defendant's motion for summary judgment and the final judgment in favor of Haas. Haas has filed a cross-appeal to the same court from the trial court's order regarding claim construction of the IMS patent. Oral argument was held before the United States Court of Appeals for the Federal Circuit in August 1999; however, the court has not yet ruled on the appeal. Although management continues to believe that the IMS claims of patent infringement have substantial merit, it is unable to predict the outcome of this matter.

Item. 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

Item 5. MARKET FOR THE REGISTRANT'S EQUITY AND RELATED STOCKHOLDER MATTERS

Our Common Stock is traded on the Nasdaq National Market under the symbol "HURC". The following table sets forth the high and low sales prices of the shares of Common Stock for the periods indicated, as reported by the Nasdaq National Market.

	1999		1998	
Fiscal Quarter Ended:	High	Low	High	Low
January 31.............................	$6-3/8	$4-5/32	$8-31/32	$6-1/4
April 30...............................	5	3-7/8	9-1/4	6-1/4
July 31................................	6-5/8	4-1/4	9	6-7/8
October 31.............................	4-1/2	3-3/8	7-1/8	6-1/4

We do not currently pay dividends on our Common Stock and intend to continue to retain earnings for working capital, capital expenditures and debt reduction.

There were approximately 481 holders of record of our Common Stock as of January 11, 2000.

During the period covered by this report, we did not sell any equity securities that were not registered under the Securities Act of 1933, as amended.

Item 6. SELECTED FINANCIAL DATA

The Selected Financial Data presented below have been derived from our Consolidated Financial Statements for the years indicated and should be read in conjunction with the Consolidated Financial Statements and related notes set forth elsewhere herein.

	Year Ended October 31,				
	1999	1998	1997	1996	1995
Statement of Operations Data:	(In thousands, except per share amounts)				
Sales and service fees................	$88,238	$ 93,422	$ 95,729	$ 99,351	$ 89,632
Gross profit..........................	$24,174	$ 27,939	$ 27,773	$ 28,421	$ 23,470
Selling, general and adminis-tration expenses....................	$21,259	$ 21,786	$ 21,047	$ 21,343	$ 19,002
Restructuring charge (credit).........	$ (103)	$ 1,162	$ --	$ --	$ --
Operating income......................	$ 3,018	$ 4,991	$ 6,726	$ 7,078	$ 4,468
Interest expense......................	$ 1,293	$ 876	$ 1,938	$ 3,211	$ 4,250
License fee income and litigation settlement fees, net................	$ 304	$ 6,974	$ 10,095	$ 590	$ --
Net income............................	$1,802	$ 9,254	$ 13,804	$ 4,264	$ 204
Earnings per common share-diluted............	$ .30	$ 1.39	$ 2.06	$ .72	$ .04
Weighted average common shares outstanding-diluted..........	6,061	6,670	6,704	5,907	5,536

	As of October 31,				
	1999	1998	1997	1996	1995
Balance Sheet Data:	(Dollars in thousands)				
Current assets........................	$52,856	$ 55,143	$ 42,222	$ 44,108	$ 46,356
Current liabilities...................	$19,580	$ 25,794	$ 19,370	$ 23,336	$ 26,479
Working capital	$33,276	$ 29,349	$ 22,852	$ 20,772	$ 19,877
Current ratio.........................	2.7	2.1	2.2	1.9	1.8
Total assets..........................	$69,632	$ 71,696	$ 58,748	$ 59,750	$ 61,421
Long-term obligations.................	$13,904	$ 8,162	$ 9,602	$ 20,273	$ 27,459
Total debt............................	$14,172	$ 8,358	$ 10,043	$ 22,110	$ 33,599
Shareholders' equity..................	$36,148	$ 37,740	$ 29,776	$ 16,141	$ 7,483

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Selected Financial Data and the Consolidated Financial Statements and Notes thereto appearing elsewhere herein. Certain statements made in this report may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements or the machine tool industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, (i) changes in general economic and business conditions that affect demand for Computer Numeric Control (CNC) systems, machine tools and software products, (ii) changes in manufacturing markets, (iii) innovations by competitors, (iv) quality and delivery performance by our contract manufacturers and (v) governmental actions and initiatives including import and export restrictions and tariffs.

Results of Operations

The following table presents, for the fiscal years indicated, selected items from the Consolidated Statements of Operations expressed as a percentage of worldwide sales and service fees and the year-to-year percentage changes in the dollar amounts of those items.

	Percentage of Revenues			Year-to-Year % Change Increase (Decrease)	
	1999	1998	1997	99 vs. 98	98 vs. 97
Sales and service fees................	100.0%	100.0%	100.0%	(5.6%)	(2.4%)
Gross profit..........................	27.4%	29.9%	29.0%	(13.5%)	0.6%
Selling, general and administrative expenses.............	24.1%	23.3%	22.0%	(2.4%)	3.5%
Restructuring charge (credit).........	(0.1%)	1.2%	--	(108.9%)	--
Operating income......................	3.4%	5.3%	7.0%	(39.5%)	(25.8%)
Interest expense......................	1.5%	0.9%	2.0%	(47.6%)	(54.8%)
Net income............................	2.0%	9.9%	14.4%	(80.5%)	(33.0%)

Fiscal 1999 Compared With Fiscal 1998

Net income for the fiscal year ending October 31, 1999 was $1.8 million, or $.30 per share, on a diluted basis, compared to $9.3 million, or $1.39 per share, for the preceding year. Results for fiscal 1999 are not comparable to the preceding period because fiscal 1998 results include a $1.2 million restructuring charge and $6.3 million of license fees and litigation settlements net of expenses and foreign withholding taxes. As discussed below, net license fee income and litigation settlements fees for fiscal 1999 were $304,000.

Sales and service fees were $88.2 million for fiscal 1999, a decrease of 5.6% from the $93.4 million reported in fiscal 1998. The decrease in sales was due in part to the negative impact of a stronger U.S. dollar when converting foreign sales to U.S. dollars for financial reporting purposes. At constant exchange rates, net sales and service fees for fiscal 1999 would have been $89.2 million.

Sales of computerized machine systems, before foreign currency translation effects were substantially unchanged from the prior year and accounted for 72.3% of our annual sales and service fees. Domestic sales of computerized machine systems in fiscal 1999 decreased by $3.2 million, or 13.2%, reflecting very weak market conditions that have existed since the third quarter of fiscal 1998. Sales of computerized machine systems in Europe increased $1.7 million, or 4.3%, in fiscal 1999 on a constant dollar basis, while sales in Southeast Asia increased $1.3 million. The increase in international sales was offset in part by approximately $1.0 million negative effect from foreign currency translation.

Sales of stand-alone CNC systems and software declined by $4.1 million, or 27.9%. The decline in stand-alone CNC systems was primarily the result of an anticipated reduction in shipments to original equipment manufacturers (OEMs) and retrofit dealers of stand-alone CNC systems, primarily related to our DeltaTM Series CNC systems, as we have repositioned these products as components of integrated machine systems.

International sales, including export sales from the United States, increased to approximately 58.4% of consolidated sales and service fees for fiscal 1999 compared to 54.5% for fiscal 1998.

Orders for the year were $89.9 million compared to $92.4 million in the prior year, a $2.5 million, or 2.7%, decrease. Computerized machine system orders increased $1.5 million, or 2.3%, while stand-alone CNC system orders decreased $2.9 million, or 23.1%. Computerized machine system unit orders in Europe increased 7.2% while orders in the United States declined 10.5%. Offsetting the increase in computerized machine system orders in Europe was a decline in stand-alone CNC system unit orders of 32.3%. The decline in orders for stand-alone CNC systems is the result of our repositioning these products for marketing as components of integrated computerized machine systems.

Backlog was $8.5 million at October 31, 1999 and $7.5 million at October 31, 1998.

Gross profit margin as a percentage of sales decreased to 27.4% in fiscal 1999 compared to 29.9% in the prior year. The decrease was primarily the result of lower service margin and the effects of a stronger dollar relative to foreign currencies.

Interest expense for fiscal 1999 increased $417,000 or 47.6% from the amount reported for the corresponding period in fiscal 1998, primarily due to increased borrowing to support an increase in finished product inventory which began in the second half of fiscal 1998.

License fee income and litigation settlement fees for fiscal 1999 were $304,000 compared to $7.0 million in the prior year. As previously reported, there are a limited number of CNC users that are not already licensed and most of the licenses previously granted provided for a single lump sum payment at the time of grant. As a result, license fee income and litigation settlement fees in fiscal 1999 were not expected to equal that recorded in fiscal 1998. For further information, refer to Note 10 to the Consolidated Financial Statements.

The provision for income taxes in fiscal 1999 is primarily related to the earnings of a foreign subsidiary which no longer has the benefit of net operating loss carryforwards to offset taxable income. The fiscal 1999 provision was favorably impacted by a $377,000 tax asset recorded by a foreign subsidiary due to a change in its tax status. The provision for foreign income taxes in fiscal 1998 consisted of $640,000 of foreign withholding taxes resulting from license fee income and litigation settlement fees and approximately $1.2 million related to the earnings of foreign subsidiaries. Net operating loss carryforwards available to offset pre-tax income in future periods are set forth in Note 6 to the Consolidated Financial Statements.

A German tax examiner has contested our transfer of net operating losses between two of our German subsidiaries that merged in fiscal 1996. The contingent tax liability resulting from this issue is approximately $1.4 million. We have protested this matter and have not yet received a ruling from the German tax authorities on the tax examiner's finding and our protest. In the event an unfavorable ruling is received from the German tax authorities, we will consider whether to appeal to the German Federal Tax Court. No provision for the contingency has been recorded.

Fiscal 1998 Compared With Fiscal 1997

Net income for the fiscal year ending October 31, 1998 was $9.3 million, or $1.39 per share, on a diluted basis, compared to $13.8 million, or $2.06 per share, for the preceding year. Included in 1998 results was a $1.2 million restructuring charge (which is more fully discussed below and in Note 15 to the Consolidated Financial Statements). Net income in fiscal 1998 and 1997 also included $6.3 million and $9.1 million, respectively, of license fees and litigation settlements net of expenses and foreign withholding taxes. Excluding the restructuring charge and net license fee and litigation settlements, net income in fiscal 1998 would have been $4.1 million, or $.61 per share, on a diluted basis, compared to $4.7 million, or $.70 per share, in fiscal 1997. In addition, the provision for income taxes in fiscal 1998 increased by $906,000, or 88%, primarily the result of the earnings of a foreign subsidiary which no longer has the benefit of net operating loss carryforwards to offset taxable income.

Sales and service fees were $93.4 million for fiscal 1998, a decrease of 2.4% from the $95.7 million reported in fiscal 1997. The decrease in sales for the fiscal year was due in part to the negative impact of a stronger U.S. dollar during the first three fiscal quarters, when converting foreign sales to U.S. dollars for financial reporting purposes. At constant exchange rates, net sales and service fees for the fiscal year would have been $95.0 million.

Sales of computerized machine systems, before foreign currency translation effects, increased $4.6 million, or 7.5%, for fiscal 1998 and accounted for 69.3% of our annual sales and service fees. Domestic sales of computerized machine systems in fiscal 1998 approximated the fiscal 1997 level while sales in the United Kingdom, which experienced unfavorable economic conditions, declined $2.6 million, or 24.1%. Sales of computerized machine systems in continental Europe, primarily Germany and France, increased $6.6 million, or 26.2%, in fiscal 1998. Also contributing to the increase in computerized machine systems was our offering of a new milling machine featuring a fully integrated Delta(TM) CNC system sold under the DynaPath(TM) name and our press brake system sold with a fully integrated Autobend(R) CNC system. Both computerized machine systems were released for sale in the second half of fiscal 1998.

The increase in sales of computerized machine systems was offset by a $4.8 million, or 27.4%, decline in sales of stand-alone CNC systems. The decline in stand-alone CNC systems was the result of reduced shipments to original equipment manufacturers (OEMs) and retrofit dealers of stand-alone CNC systems, primarily related to our Delta(TM) Series CNC systems, as we reposition these products for marketing as components of integrated machine systems.

Service income declined by approximately $600,000, or 12.1%, as a result of our on-going transfer of customer servicing responsibility to certain of our distributors as well as improved quality of the computerized machine systems.

International sales, including export sales from the United States, increased to approximately 54.5% of consolidated sales and service fees for fiscal 1998 compared to 51.4% for fiscal 1997. Orders for the year were $92.4 million compared to $94.8 million in the prior year, a $2.4 million, or 2.5%, decrease. Computerized machine system orders increased $2.4 million, or 4.8%, while stand-alone CNC system orders decreased $3.7 million, or 24.0%. Computerized machine system unit orders in continental Europe (principally Germany & France) increased 23.7% while orders in the United States and England declined 5.8% reflecting weaker demand in those markets. Offsetting the increase in computerized machine system orders was a decline in stand-alone CNC system orders units of 26.4%. The decline in orders for stand-alone CNC systems is the result of our repositioning these products for marketing as components of integrated computerized machine systems.

Backlog was $7.5 million at October 31, 1998 and $7.4 million at October 31, 1997.

Gross profit margin as a percentage of sales increased to 29.9% in fiscal 1998 compared to 29.0% in the prior year. The increase was primarily the result of reduced costs of computerized machine systems produced by our contract manufacturers in Taiwan due to the weakening of the New Taiwan dollar in fiscal 1998. Also contributing to the improved margin was an increased mix of higher-margin European sales.

As disclosed in Note 15 to the Consolidated Financial Statements, we recorded a restructuring charge in the fourth quarter of fiscal 1998 totaling $1.2 million related to our subsidiary Autocon Technologies, Inc. (ATI). ATI historically marketed its Delta(TM) series of CNC systems to OEMs and through retro-fit dealers. Throughout fiscal 1998, we repositioned ATI to market its CNC products as components of fully integrated computerized machine systems under the DynaPath(TM) brand name. The first of several planned models of the DynaPath(TM) machine systems product line was successfully launched in fiscal 1998 resulting in sales of $500,000. The decline in OEM controls sales, concurrent with a decline in demand for retro-fit CNC systems and inventory write-downs, resulted in operating losses related to ATI, before restructuring charges, of $1.2 million for the fiscal year ended October 31, 1998.

As discussed above, in October 1998, we initiated a more comprehensive restructuring of ATI's business to include consolidation of operations, contract manufacturing of CNC systems in Taiwan, simplification of the CNC product offering and cancellation of certain product development projects, as well as rationalizing the sales and customer service activities. This restructuring program, which was in the first half of fiscal 1999, resulted in a $1.2 million restructuring charge. The restructuring charge was comprised of approximately $600,000 of reserves for the write down of fixed assets and $600,000 of accrued liabilities for employee severance costs and obligations under lease of manufacturing and office space that will no longer be used.

Interest expense for fiscal 1998 decreased approximately $1.1 million, or 54.8%, from the amount reported for the corresponding period in fiscal 1997, primarily due to debt reduction in fiscal 1998 combined with the full year effect of the $12.1 million debt reduction that occurred in fiscal 1997.

License fee income and litigation settlement fees for fiscal 1998, represented 62.3% of income before taxes compared to 68.1% in fiscal 1997 and was attributable almost entirely to licenses entered into during the year by IMS. As of October 31, 1998, license fees of approximately $797,000, net of legal fees and expenses, have been deferred and are expected to be recognized through fiscal 2001. There are a limited number of remaining CNC users that IMS has identified as potential licensees. Accordingly, we believe that it is unlikely that future license fee income and litigation settlement fees will equal that recorded in fiscal 1998. For further information, refer to Note 10 to the Consolidated Financial Statements.

The provision for income taxes in fiscal 1998 consisted of approximately $640,000 of foreign withholding taxes resulting from license fee income and litigation settlement fees and approximately $1.2 million related to the earnings of a foreign subsidiary which no longer has the benefit of net operating loss carryforwards to offset taxable income. The provision for foreign income taxes in fiscal 1997 consisted almost entirely of foreign withholding taxes resulting from license fee income and litigation settlement fees. Net operating loss carryforwards available to offset pre-tax income in future periods are set forth in Note 6 to the Consolidated Financial Statements.

EURO Currency

Many of the countries in which we sell our products and services are Member States of the Economic and Monetary Union ("EMU"). Beginning January 1, 1999, Member States of the EMU were permitted to begin trading in either their local currencies or the Euro, the official currency of EMU participating Member States. Parties are free to choose the unit they prefer in contractual relationships during the transitional period, beginning January 1999 and ending June 2002. Our computer system contains the functionality to process transactions in either a country's local currency or the Euro. We have not incurred and do not anticipate incurring any material adverse effects on our operations related to the EMU's conversion to the Euro. However, there can be no assurance that the conversion of EMU Member States to the Euro will not have a material adverse effect on our operations.

Foreign Currency Risk Management

We manage our foreign currency exposure through the use of foreign currency forward exchange contracts. We do not speculate in the financial markets and, therefore, do not enter into these contracts for trading purposes. We also moderate our currency risk related to significant purchase commitments with certain foreign vendors through price adjustment agreements that provide for a sharing of, or otherwise limit, the risk of currency fluctuations on the costs of purchased products. The results of these programs achieved our objectives in fiscal 1999 and fiscal 1998. See Note 1 to the Consolidated Financial Statements.

Year 2000 Compliance

We did not experience any interruptions in our operations from Y2K related matters. The amount spent on Y2K testing and remediation was not material.

Liquidity and Capital Resources

At October 31, 1999, we had cash and cash equivalents of $3.5 million compared to $3.3 million at October 31, 1998. Cash used for operations totaled $827,000 in fiscal 1999, compared to cash provided by operations of $5.9 million in fiscal 1998. Cash flow from operations in fiscal 1998 was enhanced by receipts of approximately $6.3 million of license fees, net of legal fees and taxes.

Working capital was $33.3 million at October 31, 1999, compared to $29.3 million at October 31, 1998. The working capital increase is attributable to a decrease in accounts payable of $4.8 million and accrued expenses of $928,000 offset by a decrease in accounts receivable of $1.0 million.

The decrease in accounts payable relates primarily to payments made to our contract manufacturers for inventory purchases that occurred in late fiscal 1998 under terms that generally range from 60 to 120 days. Accounts payable at October 31, 1998 reflected a higher-than-normal level of shipments from our contract manufacturers in the fourth fiscal quarter.

Capital investments for the fiscal year ended October 31, 1999 consisted principally of expenditures for software development projects and purchases of equipment. Cash used for investing activities during the year was funded by cash flow from operations and bank credit facilities.

We repurchased 395,752 and 254,500 shares of our common stock during fiscal 1999 and 1998, respectively, under our previously announced stock repurchase program. These shares are reflected as a reduction of common stock outstanding in calculating basic and diluted earnings per common share.

Total debt at October 31, 1999 was $14.2 million, representing 28.2% of total capitalization, compared to $8.4 million, or 18.1%, of total capitalization at October 31, 1998.

We were in compliance with all loan covenants at October 31, 1999. We believe that anticipated cash flow from operations and available borrowings under credit facilities will be sufficient to meet our anticipated cash requirements in the foreseeable future.

Item 7A. Quantitative and Qualitative Disclosures About Market Risks

Interest Rate Risk

Our bank line of credit is affected by the general level of U.S. and European interest rates and/or Libor. However, we only had $9.6 million outstanding under our bank line of credit at October 31, 1999 and the effect of interest rate changes would likely not be significant.

Foreign Currency Exchange Risk

A significant portion of our product content is sourced from foreign suppliers or built to our specifications by contract manufacturers overseas. Our contractual arrangements with those suppliers typically include foreign currency risk sharing agreements which reduce the effects of currency fluctuations on product cost. The predominant portion of foreign currency exchange rate risk regarding product cost relates to the New Taiwan Dollar.

In Fiscal 1999, approximately 58.4% of our sales and service fees, including export sales, were derived from foreign markets. All computerized machine systems, CNC systems and certain proprietary service parts are sourced by a central engineering and manufacturing division of the U.S. parent company and re-invoiced to our foreign sales and service subsidiaries, primarily in their functional currencies. The parent company enters into forward foreign exchange contracts from time to time to hedge the cash flow risk related to inter-company sales and inter-company accounts receivable in foreign currencies. We do not speculate in the financial markets and, therefore, do not enter into these contracts for trading purposes.

Forward contracts for the sale of foreign currencies as of October 31, 1999:

Forward Contracts	Notional Amount in Foreign Currency	Weighted Avg. Forward Rate	Notional Amount in U.S. $	Market Value October 31, 1999	Maturity Dates
Sterling	2,060,000	1.6532	3,391,310	3,389,318	Nov '99-Jan `00
Euro	1,028,000	1.0776	1,107,805	1,084,540	Nov'99

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Public Accountants

To the Shareholders and
Board of Directors of
Hurco Companies, Inc.

We have audited the accompanying consolidated balance sheets of Hurco Companies, Inc. (an Indiana corporation) and subsidiaries as of October 31, 1999 and 1998, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended October 31, 1999. These financial statements and schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hurco Companies, Inc. and subsidiaries as of October 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended October 31, 1999, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in Item 14(a) 2 is presented for purposes of complying with the Securities and Exchange Commissions rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Indianapolis, Indiana,
December 1, 1999.

HURCO COMPANIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended October 31, 1999	1998	1997
	(Dollars in thousands, except per share amounts)		
Sales and service fees	$ 88,238	$ 93,422	$ 95,729
Cost of sales and service	64,064	65,483	67,956
Gross profit	24,174	27,939	27,773
Selling, general and administrative expenses	21,259	21,786	21,047
Restructuring charge (credit) (Note 15)	(103)	1,162	--
Operating income	3,018	4,991	6,726
License fee income and litigation settlement fees, net (Note 12)	304	6,974	10,095
Interest expense	1,293	876	1,938
Other income (expense), net	25	99	(51)
Income before income taxes	2,054	11,188	14,832
Provision for income taxes (Note 6)	252	1,934	1,028
Net income	$ 1,802	$ 9,254	$ 13,804
Earnings per common share - basic	$ .30	$ 1.42	$ 2.11
Weighted average common shares outstanding - basic	5,980	6,498	6,536
Earnings per common share - diluted	$ .30	$ 1.39	$ 2.06
Weighted average common shares outstanding - diluted	6,061	6,670	6,704

The accompanying notes are an integral part of the Consolidated Financial Statements.

HURCO COMPANIES, INC.
CONSOLIDATED BALANCE SHEETS
ASSETS

	As of October 31, 1999	1998
	(Dollars in thousands, except per share amounts)	
Current assets:		
Cash and cash equivalents	$ 3,495	$ 3,276
Accounts receivable, less allowance for doubtful accounts of $687 in 1999 and $769 in 1998	17,154	18,896
Inventories	30,767	30,817
Other	1,440	2,154
Total current assets	52,856	55,143
Long-term license fee receivables (Note 12)	434	797
Property and equipment:		
Land	761	761
Building	7,168	7,067
Machinery and equipment	11,182	11,184

	1999	1998
Leasehold improvements	1,005	1,107
	20,116	20,119
Less accumulated depreciation and amortization	(11,165)	(11,037)
	8,951	9,082
Software development costs, less accumulated amortization of $5,174 in 1999 and $6,014 in 1998	3,951	4,231
Other assets	3,440	2,443
	$ 69,632	$ 71,696
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 8,519	$ 13,235
Accounts payable-related parties	2,372	2,556
Accrued expenses	5,935	7,157
Accrued warranty expenses	968	1,060
Current portion of long-term debt	1,786	1,786
Total current liabilities	19,580	25,794
Non-current liabilities:		
Long-term debt	12,386	6,572
Deferred credits and other	1,518	1,590
	13,904	8,162
Commitments and contingencies (Notes 10 and 11)		
Shareholders' equity:		
Preferred stock: no par value per share; 1,000,000 shares authorized; no shares issued	--	--
Common stock: no par value; $.10 stated value per share; 12,500,000 shares authorized; 5,951,859 and 6,340,111 shares issued and outstanding in 1999 and 1998, respectively	595	634
Additional paid-in capital	46,340	48,662
Accumulated deficit	(5,348)	(7,150)
Foreign currency translation adjustment	(5,439)	(4,406)
Total shareholders' equity	36,148	37,740
	$ 69,632	$ 71,696

The accompanying notes are an integral part of the Consolidated Financial Statements.

HURCO COMPANIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended October 31, 1999	1998	1997
	(Dollars in thousands)		
Cash flows from operating activities:			
Net income	$ 1,802	$ 9,254	$ 13,804
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation and amortization	2,428	2,138	2,078
Restructuring charge (credit)	(103)	1,162	--
Unrealized (gain) loss on foreign currency transactions	671	(219)	294
Change in assets/liabilities			
(Increase) decrease in accounts receivable	974	(2,808)	1,043
(Increase) decrease in inventories	(801)	(8,775)	2,107
Increase (decrease) in accounts payable	(4,825)	6,864	(2,096)
Decrease in accrued expenses	(928)	(994)	(681)
Other	(45)	(712)	(525)
Net cash provided by (used for) operating activities	(827)	5,910	16,024
Cash flows from investing activities:			
Proceeds from sale of equipment	69	93	126
Purchase of property and equipment	(1,176)	(1,013)	(640)
Software development costs	(981)	(1,315)	(1,595)
Other	(288)	(411)	(418)
Net cash (used for) investing activities	(2,376)	(2,646)	(2,527)
Cash flows from financing activities:			
Advances on bank credit facilities	61,920	15,053	30,173
Repayments of bank credit facilities	(54,320)	(14,953)	(39,154)
Repayments of term debt	(1,786)	(1,786)	(3,036)
Proceeds from exercise of common stock options	18	120	38
Purchase of common stock	(2,379)	(1,827)	--
Net cash provided by (used for) financing activities	3,453	(3,393)	(11,979)
Effect of exchange rate changes on cash	(31)	34	(24)
Net increase (decrease) in cash	219	(95)	1,494
Cash and cash equivalents at beginning of year	3,276	3,371	1,877
Cash and cash equivalents at end of year	$3,495	$3,276	$3,371
Supplemental disclosures:			
Cash paid for:			
Interest	$ 1,016	$ 702	$ 1,828
Income taxes	$ 1,003	$ 1,818	$ 1,234

The accompanying notes are an integral part of the Consolidated Financial Statements.

HURCO COMPANIES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Common Stock Shares Issued & Outstanding	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (loss): Foreign Currency Translation Adjustment	Total
	(Dollars in thousands)					
Balances, October 31, 1996	6,531,871	$ 653	$50,312	$(30,208)	$(4,616)	$16,141
Net income	--	--	--	13,804	--	13,804
Translation of foreign currency financial statements	--	--	--	--	(207)	(207)
Comprehensive Income						13,597
Exercise of common stock options	12,960	1	37	--	--	38
Balances, October 31, 1997	6,544,831	$ 654	$50,349	$(16,404)	$(4,823)	$29,776
Net income	--	--	--	9,254	--	9,254
Translation of foreign currency financial statements	--	--	--	--	417	417
Comprehensive Income						9,671
Exercise of common stock options	49,780	5	115	--	--	120
Purchase of common stock	(254,500)	(25)	(1,802)	--	--	(1,827)
Balances, October 31, 1998	6,340,111	$ 634	$48,662	$(7,150)	$(4,406)	$37,740
Net income	--	--	--	1,802	--	1,802
Translation of foreign currency financial statements	--	--	--	--	(1,033)	(1,033)
Comprehensive Income						769
Exercise of common stock options	7,500	1	17	--	--	18
Purchase of common stock	(395,752)	(40)	(2,339)	--	--	(2,379)
Balances, October 31, 1999	5,951,859	$ 595	$46,340	$(5,348)	$(5,439)	$36,148

The accompanying notes are an integral part of the Consolidated Financial Statements.

HURCO COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation. The consolidated financial statements include the accounts of Hurco Companies, Inc. (an Indiana corporation) and our wholly owned and controlled subsidiaries. A 35% ownership interest in an affiliate recorded using the equity method and a 15% ownership interest in an affiliate recorded at cost are included in Other Assets on the accompanying Consolidated Balance Sheets. Intercompany accounts and transactions have been eliminated.

Statements of Cash Flows. We consider all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash flows from hedges are classified consistent with the items being hedged.

Translation of Foreign Currencies. All balance sheet accounts of non-U.S. subsidiaries are translated at the exchange rate as of the end of the year. Income and expenses are translated at the average exchange rates during the year. Foreign currency translation adjustments are recorded as a separate component of shareholders' equity. Foreign currency transaction gains and losses are recorded as income or expense as incurred.

Hedging. We enter into foreign currency forward exchange contracts to hedge certain firm intercompany sale commitments denominated in foreign currencies (primarily pound sterling and Euro) for which we have firm purchase commitments. The purpose of these instruments is to protect us from the risk that the U.S. dollar net cash inflows resulting from the sales denominated in foreign currencies will be adversely affected by changes in exchange rates. Gains and losses on these hedge contracts are deferred and recognized as an adjustment to the related sales transactions.

We enter into foreign currency forward exchange contracts periodically to provide a hedge against the effect of foreign currency fluctuations on receivables denominated in foreign currencies. Gains and losses related to contracts designated as hedges of receivables denominated in foreign currencies are accrued as exchange rates change and are recognized as "Other income (expense), net" in the Consolidated Statements of Operations.

The U.S. dollar equivalent notional amount of outstanding foreign currency forward exchange contracts was approximately $4.5 million as of October 31, 1999 ($2.1 million related to firm intercompany sales commitments) and $13.5 million as of October 31, 1998 ($8.7 million related to firm intercompany sales commitments). Deferred losses related to hedges of future sales transactions were approximately $48,000 and $434,000 as of October 31, 1999 and 1998, respectively. Contracts outstanding at October 31, 1999 mature at various times through January 2000. All contracts are for the sale of foreign currency. We do not enter into these contracts for trading purposes.

Inventories. Inventories are stated at the lower of cost or market, with cost determined using the first-in, first-out method.

Property and Equipment. Property and equipment are carried at cost. Depreciation and amortization of assets are provided primarily under the straight-line method over the shorter of the estimated useful lives or the lease terms as follows:

	Number of Years
Building	40
Machines	10
Shop and office equipment	5
Leasehold improvements	5

Revenue Recognition. Sales of products and services are recorded when products are shipped or services are performed. Service fees from maintenance contracts are deferred and recognized in earnings on a pro rata basis over the period of the agreement. Sales related to software products are recognized when shipped in conformity with American Institute of Certified Accountants' Statement of Position 97-2 Software Revenue Recognition.

License Fee Income and Litigation Settlement Fees, Net. From time to time, our wholly owned subsidiary, IMS Technology, Inc. (IMS) enters into agreements for the licensing of its interactive computer numerical control (CNC) patents. License fees received or receivable under a fully paid-up license, for which there are no future performance requirements or contingencies and litigation settlement fees, are recognized in income, net of legal fees and expenses, if any, at the time the related agreement is executed. License fees received in periodic installments that are contingent upon the continuing validity of a licensed patent are recognized in income, net of legal fees and expenses, if any, over the life of the licensed patent.

Product Warranty. Expected future product warranty expense is recorded when the product is sold.

Research and Development Costs. The costs associated with research and development programs for new products and significant product improvements are expensed as incurred and included in selling, general and administrative expenses. Research and development expenses totaled $2.1 million, $2.0 million and $1.9 million in fiscal 1999, 1998 and 1997, respectively.

Costs incurred to develop computer software products and significant enhancements to software features of existing products to be sold or otherwise marketed are capitalized, after technological feasibility is established. Software development costs are amortized to Cost of Sales on a straight-line basis over the estimated product life of the related software, which ranges from three to five years. We capitalized $1.0 million in 1999, $1.3 million in 1998 and $1.6 million in 1997 related to software development projects. Amortization expense was $1.3 million, $1.1 million and $940,000, for the three years ended October 31, 1999, 1998 and 1997 respectively.

Earnings Per Share. Earnings per share of common stock are based on the weighted average number of common shares outstanding, which, for diluted purposes, includes the effects of outstanding stock options computed using the treasury method.

Income Taxes. We record income taxes under Statement of Accounting Standards (SFAS) 109 "Accounting for Income Taxes". SFAS 109 utilizes the liability method for computing deferred income taxes and requires that the benefit of certain loss carryforwards be recorded as an asset and that a valuation allowance be established against the asset to the extent it is "more likely than not" that the benefit will not be realized.

Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates.

2. BUSINESS OPERATIONS

Nature of Business. We design and produce computer numerical control (CNC) systems and software and computerized machine systems for sale through our own distribution system to the worldwide machine tool industry.

The end market for our products consists primarily of precision tool, die and mold manufacturers, independent job shops and specialized short-run production applications within large manufacturing operations. Industries served include: aerospace, defense, medical equipment, energy, transportation and computer industries. Our products are sold through independent agents and distributors in countries throughout North America, Europe and Asia. We also maintain direct sales operations in the United States, England, France, Germany and Singapore.

Credit Risk. We sell products to customers located throughout the world. We perform ongoing credit evaluations of customers and generally do not require collateral. Allowances are maintained for potential credit losses, and such losses have been within our expectations.

Concentration of credit risk with respect to trade accounts receivable is limited due to the large number of customers and their dispersion across many geographic areas. Although a significant amount of trade receivables are with distributors primarily located in the United States, no single distributor or region represents a significant concentration of credit risk.

Reliance on Contract Manufacturers. We contract with manufacturing contractors located in Taiwan and Europe for the manufacture and assembly of computerized machine systems, based on our designs and specifications. Any interruption from these sources would restrict the availability of our computerized machine systems, which would affect operating results adversely.

3. INVENTORIES

Inventories as of October 31, 1999 and 1998 are summarized below (in thousands):

	1999	1998
Purchased parts and sub-assemblies	$ 9,104	$ 11,749
Work-in-process	1,070	1,774
Finished goods	20,593	17,294
	$ 30,767	$ 30,817

4. DEBT AGREEMENTS

Long-term debt as of October 31, 1999 and 1998, consisted of (in thousands):

	1999	1998
Bank revolving credit facilities	$ 9,600	$ 2,000
Senior Notes	3,572	5,358
Economic Development Revenue Bonds, Series 1990	1,000	1,000
	14,172	8,358
Less current portion	1,786	1,786
	$ 12,386	$ 6,572

As of October 31, 1999, long-term debt was payable as follows (in thousands):

Fiscal 2000	1,786
Fiscal 2001	1,986
Fiscal 2002	9,800
Fiscal 2003	200
Fiscal 2004 and thereafter	400
	$14,172

As of October 31, 1999 and 1998, we had $7.2 million and $11.4 million, respectively, of outstanding letters of credit issued to non-U.S. suppliers for inventory purchase commitments. As of October 31, 1999, we had unutilized credit facilities of $8.2 million available for either direct borrowings or commercial letters of credit.

As of October 31, 1999 and 1998, the domestic bank revolving credit facility was payable at interest rates ranging from 6.9% to 8.25%. Interest was payable on the Senior Notes at 10.37% at October 31, 1999 and 1998.

The principal terms of the Bank Credit Agreement and Senior Notes Agreement are set forth below:

a) Bank Credit Agreement

Our bank credit agreement provides for a revolving, unsecured credit facility expiring May 1, 2002, which permits borrowings, at any one time outstanding, of up to $25.0 million (inclusive of outstanding letters of credit up to $15.0 million). Of such borrowings, up to $5.0 million may be drawn in designated European currencies. Interest on all outstanding borrowings is payable at Libor plus an applicable Euro dollar rate margin ranging from 1.0% to 2.0% based on a prescribed formula, or at our option, the greater of the prime rate or 1.0% plus the Federal Funds Rate. An additional margin of .25% may be charged if our fixed charge coverage ratio falls below 1.25 to 1. The agreement requires us to maintain a specified minimum net worth and establishes maximum leverage and fixed charge coverage ratios. We are required to maintain consolidated tangible net worth (as defined) of not less than $30.0 million plus (i) 50% of cumulative net income subsequent to May 1, 1999 and (ii) 75% of proceeds from sales of capital stock after April 30, 1999. Total consolidated debt may not exceed 50% of consolidated capitalization (defined as total debt plus consolidated tangible net worth). Our fixed charge coverage ratio requirement varies within a range of 1.0-1.25 to 1 during the term of the agreement.

b) Senior Notes

At October 31, 1999, we had outstanding approximately $3.6 million of unsecured Senior Notes, bearing an interest rate of 10.37%, of which approximately $1.8 million is due on December 1, 1999, and the balance is due in fiscal 2000. The financial covenants substantially conform to those contained in our bank credit agreement.

The Economic Development Revenue Bonds are payable in five equal annual installments beginning on September 1, 2001 and are secured by a letter of credit issued in the amount of $1.1 million by a bank. The Bonds' interest rates adjust weekly and, as of October 31, 1999 and 1998, interest was accruing at a rate of 3.7% and 3.4% respectively.

We were in compliance with all loan covenants at October 31, 1999.

5. FINANCIAL INSTRUMENTS

The carrying amounts for trade receivables and payables approximate their fair values. At October 31, 1999 the carrying amounts and fair values of our financial instruments, which includes bank revolving credit facilities, senior notes and Economic Development Bonds are not materially different.

We also have off-balance sheet financial instruments in the form of foreign currency forward exchange contracts as described in Note 1 to the Consolidated Financial Statements. The U.S. dollar equivalent notional amount and fair value of these contracts were both $4.5 million at October 31, 1999. Current market prices were used to estimate the fair value of the foreign currency forward exchange contracts.

The future value of the foreign currency forward exchange contracts and the related currency positions are subject to offsetting market risk resulting from foreign currency exchange rate volatility. The counterparties to these contracts are substantial and creditworthy financial institutions. Neither the risks of counterparty non-performance nor the economic consequences of counterparty non-performance associated with these contracts are considered by us to be material.

6. INCOME TAXES

Deferred income taxes reflect the effect of temporary differences between the tax basis of assets and liabilities and the reported amounts of those assets and liabilities for financial reporting purposes. Deferred income taxes also reflect the value of net operating losses and an offsetting valuation allowance. Our total deferred tax assets and corresponding valuation allowance at October 31, 1999 and 1998, consisted of the following (in thousands):

	October 31, 1999	October 31, 1998
Tax effects of future tax deductible items related to:		
Accrued inventory reserves	$ 824	$ 710
Accrued warranty expenses	249	276
Deferred Compensation	310	194
Other accrued expenses	745	977
Total deferred tax assets	2,128	2,157
Tax effects of future taxable differences related to:		
Accelerated tax deduction and other tax over book deductions related to property, equipment and software	(1,774)	(1,883)
Other	(575)	(575)
Total deferred tax liabilities	(2,349)	(2,458)
Net tax effects of temporary differences	(221)	(301)
Tax effects of carryforward benefits:		
U.S. federal net operating loss carryforwards, expiring 2008-2013	1,636	2,170
Foreign net tax benefit carryforwards with various expiration years	1,339	1,174
U.S. federal general business tax credits, expiring 2008-2013	1,001	1,367
U.S. Alternative Minimum Tax Credit with no expiration	426	412
Tax effects of carryforwards	4,402	5,123
Tax effects of temporary differences and carryforwards	4,181	4,822
Less valuation allowance	(3,755)	(4,410)
Net deferred tax asset	$ 426	$ 412

Except as indicated above, our carryforwards expire at specific future dates and utilization of certain carryforwards is limited to specific amounts each year and further limitations may be imposed if an "ownership change" would occur. Realization is entirely dependent upon generating sufficient future earnings in specific tax jurisdictions prior to the expiration of the loss carryforwards.

Due to the uncertain nature of their ultimate realization based upon past performance and expiration dates, we have established a full valuation allowance against carryforward benefits with expiration dates. Alternative minimum tax credits may be carried forward indefinitely and as a result, are not provided with a valuation allowance. While the need for this valuation allowance is subject to periodic review, if the allowance is reduced, the tax benefits of the carryforwards will be recorded in future operations as a reduction of our income tax expense.

Income (loss) before income taxes (in thousands):

	Year Ended October 31,		
	1999	1998	1997
Domestic	$ 1,848	$ 8,809	$ 10,303
Foreign	206	2,379	4,529
	$ 2,054	$ 11,188	$ 14,832

Differences between the effective tax rate and U.S. federal income tax rate were (in thousands):

	1999	1998	1997
Tax at U.S. statutory rate	$ 719	$ 3,915	$ 5,191
Foreign withholding taxes	4	640	1,012
Effect of tax rates of international jurisdictions in excess of U.S. statutory rates	209	563	342
State income taxes	41	35	16
Utilization of net operating loss carryforwards	(721)	(3,219)	(5,533)
Provision for income taxes	$ 252	$ 1,934	$ 1,028

Foreign withholding taxes are the result of foreign dividends received during fiscal 1999 and certain license fee payments received during fiscal 1998 and 1997. Our provision for income taxes in fiscal 1999, 1998 and 1997 represents taxes currently payable with the exception of the $377,000 tax asset recorded in 1999 by a foreign subsidiary due to a change in its tax status.

We have not provided any U.S. income taxes on the undistributed earnings of our foreign subsidiaries based upon our determination that such earnings will be indefinitely reinvested.

7. EMPLOYEE BENEFITS

We have defined contribution plans that include a majority of our employees worldwide, under which our contributions are discretionary. The purpose of these plans is generally to provide additional financial security during retirement by providing employees with an incentive to save throughout their employment. Our contributions to the plans are based on employee contributions or compensation. Our contributions totaled $331,605, $357,000 and $307,000 for the years ended October 31, 1999, 1998 and 1997, respectively.

We also have Split-Dollar Life Insurance Agreements with certain of our officers. Under the terms of the agreements, we pay all of the premiums on behalf of the officers. We will be repaid the premiums from the policies' cash surrender value when the policies are terminated in accordance with the provisions of the agreements.

8. STOCK OPTIONS

In March 1997, we adopted the 1997 Stock Option and Incentive Plan (the 1997 Plan) which allows us to grant awards of options to purchase shares of our common stock, stock appreciation rights, restricted shares and performance shares. Under the provisions of the 1997 Plan, the maximum number of shares of common stock that may be issued is 500,000. The total number of shares of common stock which may be granted to any individual during the term of the 1997 Plan may not exceed 100,000 shares. Options granted under the 1997 Plan are exercisable for a period up to ten years after date of grant and vest in equal annual installments as specified by the Compensation Committee of our Board of Directors (the Committee) as the Committee determines at the time of grant. The option price may not be less than 100% of the fair market value of a share of common stock on the date of grant. As of October 31, 1999, 305,500 shares had been granted under the 1997 Plan.

In 1990, we adopted the 1990 Stock Option Plan (the 1990 Plan) which allowed us to grant options to purchase shares of our common stock and related stock appreciation rights and limited rights to officers and our key employees. Under the provisions of the 1990 Plan, the maximum number of shares of common stock which may be issued under options and related rights is 500,000. There is no annual limit on the number of such shares with respect to which options and rights may be granted. Options granted under the 1990 Plan are exercisable for a period up to ten years after date of grant and vest in equal installments over a period of three to five years from the date of grant. The option price may not be less than 100% of the fair market value of a share of common stock on the date of grant and no options or rights may be granted under the 1990 Plan after April 30, 2000.

A summary of the status of the options under the 1990 and 1997 Plans as of October 31, 1999, 1998 and 1997 and the related activity for the year is as follows:

	Shares under option	Weighted average exercise price per share
Balance October 31, 1996	431,620	$4.01
Granted	5,000	8.25
Cancelled	(1,800)	3.79
Expired	-	-
Exercised	(12,960)	3.63
Balance October 31, 1997	421,860	4.07
Granted	26,000	8.25
Cancelled	(4,000)	5.13
Expired	-	-
Exercised	(49,780)	2.43
Balance October 31, 1998	394,080	4.54
Granted	305,500	5.68
Cancelled	(20,400)	4.91
Expired	-	-
Exercised	(7,500)	2.42
Balance October 31, 1999	671,680	$5.07

Stock options outstanding and exercisable on October 31, 1999 are as follows:

Range of exercise prices per share	Shares under option	Weighted average exercise price per share	Weighted average remaining contractual life in years
Outstanding			
$2.125-5.125	294,180	$3.49	5.3
5.813-8.250	377,500	6.31	7.7

$2.125-8.250	671,680	$5.07	6.6
Exercisable			
$2.125-5.125	245,544	$3.27	-
5.813-8.250	139,100	6.82	-
$2.125-8.250	384,644	$4.55	-

We apply Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" (APB25), and related interpretations in accounting for the Plans, and, therefore, no compensation expense has been recognized for stock options issued under the Plans. For companies electing to continue the use of APB25, SFAS No. 123 "Accounting for Stock-Based Compensation", requires pro forma disclosures determined through the use of an option-pricing model as if the provisions of SFAS No. 123 had been adopted.

The weighted average fair value at date of grant for options granted during fiscal 1999, 1998 and 1997 was $3.99, $6.10 and $6.11 per share, respectively. The fair value of each option grant was estimated on the date of the grant using the Black-Scholes option-pricing model with the following assumptions:

	1999	1998	1997
Expected dividend yield	0.00%	0.00%	0.00%
Expected volatility	55.31%	58.16%	57.88%
Risk-free interest rate	4.70%	5.83%	6.04%
Expected term in years	10	10	10

If we had adopted the provisions of SFAS No. 123, the impact of reported net income and earnings per share would have been as follows:

	1999	1998	1997
Net income (in thousands)	$1,613	$9,181	$13,752
Earnings per share:			
Basic	$.27	$1.41	$2.10
Diluted	$.27	$1.38	$2.05

As of October 31, 1999, there were outstanding non-qualified options that had been granted outside of the 1990 and 1997 plans to outside members of the Board of Directors to purchase 50,000 and 75,000 shares at $5.13 and $5.81 per share, respectively. The 50,000 shares are exercisable while the 75,000 shares become exercisable on December 15, 1999. The options expire at various dates between 2002 and 2008.

9. RELATED PARTY TRANSACTIONS

Hurco and Air Express International Corporation (AEI) are related parties because a common group of shareholders holds a significant ownership interest in both companies. AEI provides freight forwarding and shipping services for us. The cost of these freight services are negotiated on an arms length basis and amounted to $4.3 million, $4.1 million and $2.6 million for the years ended October 31, 1999, 1998 and 1997, respectively. Trade payables to AEI were $200,000, $217,000 and $30,000 at October 31, 1999, 1998 and 1997, respectively.

We own approximately 15% of one of our Taiwanese-based suppliers. This investment is carried at cost and is included in Other Assets on the

Consolidated Balance Sheet. Purchases of product from this supplier are negotiated on an arms length basis and totaled $7.8 million, $7.4 million and $8.2 million for the years ended October 31, 1999, 1998 and 1997, respectively. Trade payables to this supplier were $1.5 million, $1.7 million, and $1.8 million at October 31, 1999, 1998 and 1997, respectively.

As of October 31, 1999, we own 35% of Hurco Automation, Ltd. (HAL), a Taiwan based company. HAL's scope of activities includes the design, manufacture, sales and distribution of industrial automated products, software systems and related components, including CNC systems and components manufactured under contract for sale exclusively to us. We are accounting for the investment using the equity method. The investment of $732,929 at October 31, 1999 is included in Other Assets on the Consolidated Balance Sheet. Purchases of product from this supplier are negotiated on an arms length basis and amounted to $3.6 and $3.1 million in 1999 and 1998, respectively. Trade payables to HAL were $672,000 and $668,000 at October 31, 1999 and 1998, respectively.

10. LITIGATION AND CONTINGENCIES

As previously reported, Hurco and its subsidiary IMS Technology, Inc. (IMS) have been parties to a number of proceedings which involved alleged infringement of one of the Interactive Machining Patents. At the present date, all but one action has been settled through licensing arrangements or litigation settlements. The only remaining action is described below.

On July 3, 1997, IMS commenced an action in the United States District Court of Virginia against Haas Automation, Inc. and its owner (collectively, Haas) and certain other end-users and manufacturers of computerized machine tool systems. The action sought monetary damages and an injunction against future infringement. IMS subsequently entered into settlements with all defendants other than Haas and dismissed claims against them. As previously reported, on October 2, 1998 the trial court granted summary judgment in favor of Haas and dismissed the action, finding that there was no infringement by Haas based on the court's claim interpretation and its finding that a floppy disk is not the equal of a cassette tape. Haas' affirmative defenses challenging the validity of the IMS patent were also dismissed. IMS subsequently filed an appeal to the United States Court of Appeals for the Federal Circuit. The appeal seeks relief from the trial court's order regarding claim interpretation of the IMS patent, the order granting defendant's motion for summary judgment and the final judgment in favor of Haas. Haas has filed a cross-appeal to the same court from the trial court's order regarding claim construction of the IMS patent. Oral argument was held before the United States Court of Appeals for the Federal Circuit in August 1999; however, the court has not yet ruled on the appeal. Although management continues to believe that the IMS claims of patent infringement have substantial merit, it is unable to predict the outcome of this matter.

A German tax examiner has contested our transfer of net operating losses between two of our German subsidiaries that merged in fiscal 1996. The contingent tax liability resulting from this issue is approximately $1.4 million. We have protested this matter and have not yet received a ruling from the German tax authorities on the tax examiner's finding and our protest. In the event an unfavorable ruling is received from the German tax authorities, we will consider whether to appeal to the German Federal Tax Court. No provision for the contingency has been recorded.

In addition, we are involved in various other claims and lawsuits arising in the normal course of business. None of these claims, in our opinion, are expected to have a material adverse effect on our consolidated financial position or results of operations.

11. OPERATING LEASES

We lease facilities and vehicles under operating leases that expire at various dates through 2003. Future payments, exclusive of amounts reflected in the balance sheet, required under operating leases as of October 31, 1999, are summarized as follows (in thousands):

2000	$ 1,350
2001	801
2002	537
2003	77
2004	1

Total	$ 2,766

Rent expense for the years ended October 31, 1999, 1998 and 1997 was $1.7 million, $1.8 million and $1.9 million, respectively.

12. LICENSE FEE INCOME AND LITIGATION SETTLEMENT FEES, NET

License fee income and litigation settlement fees, net for fiscal 1999, 1998 and 1997 were attributable to agreements entered into by IMS, pursuant to which IMS granted fully paid-up licenses of its interactive CNC patents in exchange for cash and other consideration. As of October 31, 1999, additional license fees of approximately $873,000, net of legal fees and expenses, related to future payments under completed license agreements have been deferred and are expected to be recognized in income over the two-year remaining life of the licensed patent.

13. QUARTERLY HIGHLIGHTS (Unaudited)

1999 (In thousands, except per share data)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Sales and service fees	$ 21,147	$21,532	$20,783	$24,776
Gross profit	6,004	5,858	5,915	6,397
Gross profit margin percentage	28.4%	27.2%	28.5%	25.8%
Selling, general and administrative expenses	5,335	5,352	5,152	5,420
Restructuring charge (credit)	--	(103)	--	--
Operating income	669	609	763	977
Net income	175	554	400	673
Earnings per common share - basic	$ .03	$ .09	$ .07	$ .11
Earnings per common share - diluted	$ .03	$ .09	$ .07	$ .11

1998 (In thousands, except per share data)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Sales and service fees	$ 22,120	$ 21,542	$ 23,444	$ 26,316
Gross profit	6,123	6,286	6,980	8,550
Gross profit margin percentage	27.7%	29.2%	29.8%	32.5%
Selling, general and administrative expenses	5,024	5,354	5,573	5,835
Restructuring charge (credit)	--	--	--	1,162
Operating income	1,099	932	1,407	1,553
Net income	2,186	4,270	1,830	968
Earnings per common share - basic	$ .33	$ .65	$ .28	$ .15
Earnings per common share - diluted	$ .32	$ .63	$ .27	$ .15

14. SEGMENT INFORMATION

We operate in a single segment: industrial automation systems. We design and produce interactive computer numerical control (CNC) systems and software and computerized machine systems for sale through our own distribution network to the worldwide metal working market. We also provide software options, CNC upgrades, accessories and replacement parts for our products, as well as customer service and training support.

Substantially all of our machine systems and CNC systems are manufactured to our specifications by contract manufacturing companies in Taiwan and Europe. Our executive offices and principal design, engineering, and manufacturing management operations are headquartered in Indianapolis, Indiana. We sell our products through over 240 independent agents and distributors in 45 countries throughout North America, Europe and Asia. We also have our own direct sales and service organizations in the United States, England, France, Germany, Italy and Singapore, which are considered to be among the world's principal computerized machine system consuming countries. During fiscal 1999, no customer accounted for more than 5% of our sales and service fees.

The following table sets forth the contribution of each of our product groups to our total sales and service fees during each of the past three fiscal years (in thousands):

	Year Ended October 31,		
	1999	1998	1997
Computerized Machine Systems	$63,793	$64,770	$61,679
CNC Systems and Software*	10,623	14,727	19,296
Service Parts	9,574	9,424	9,612
Services Fees	4,248	4,501	5,142
.	$88,238	$93,422	$95,729

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*Amounts shown do not include CNC systems sold as an integrated component of computerized machine systems.

Revenues by geographic area, based on customer location, for each of the past three fiscal years were (in thousands):

	Year Ended October 31,		
	1999	1998	1997
United States	$36,730	$42,486	$46,535
Germany	25,388	24,949	20,320
United Kingdom	9,567	9,454	13,280
Other Europe	12,087	12,112	12,125
Total Europe	47,042	46,515	45,725
Asia and Other	4,466	4,421	3,469
Total Foreign	51,508	50,936	49,194
	$88,238	$93,422	$95,729

Long-lived assets by geographic area were (in thousands):

	October 31,	
	1999	1998
United States	$ 13,528	$ 13,836
Foreign Countries	686	528
.	$ 14,214	$ 14,364

15. RESTRUCTURING CHARGE

In fiscal 1998, we recorded a reserve for anticipated costs associated with the restructuring of a subsidiary to convert its operations from manufacturing computer controls to sales and service of computerized machine systems. This restructuring program, which was completed during the first half of fiscal 1999, resulted in a special charge to operations of $1.2 million consisting of the following components:

Excess building capacity	$ 500,000
Discontinued capitalized software projects	300,714
Fixed asset impairments	170,245
Equipment leases	101,187
Severance costs	89,574
	$1,161,720

Of the $1.2 million provision, $690,761 was charged to the restructuring reserve while the remainder was used for asset impairments. On April 30, 1999, the excess building space was subleased, effective June 15, 1999 through July 31, 2001. The reserve was adjusted to reflect the terms of the sublease resulting in a restructuring credit of approximately $103,000. At October 31, 1999, the restructuring reserve balance was approximately $400,000 and consisted of the following:

Description	Balance 10/31/98	Charges to Accrual	Adjustment	Balance 10/31/99
Excess Building Capacity	$500,000	$ 10,615	$103,486	$285,899
Equipment Leases	101,187	23,808	--	77,379
Severance Costs	89,574	89,574	--	--
	$690,761	$223,997	$103,486	$363,278

16. NEW ACCOUNTING PROUNCEMENT

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, Accounting for Derivatives Instruments and Hedging Instruments. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The statement is effective in fiscal 2000. We have not yet determined the impact of adopting this statement on our financial position or results of operations.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

Not applicable.

PART III

Item 10. EXECUTIVE OFFICERS AND DIRECTORS OF THE REGISTRANT

The following information sets forth the name of each executive officer and director, his age, tenure as a director, principal occupation and business experience for the last five years:

Name	Age	Position(s) with the Company
Brian D. McLaughlin	57	President, Chief Executive Officer and Director
Roger J. Wolf	59	Senior Vice President, Secretary, Treasurer and Chief Financial Officer
James D. Fabris	48	Executive Vice President - Operations
Richard Blake	41	Vice President of the Company and President Hurco Machine Tool Products Division
David E. Platts	47	Vice President, Research and Development
Stephen J. Alesia	33	Corporate Controller
Hendrik J. Hartong, Jr.	60	Director
Andrew L. Lewis IV	43	Director
E. Keith Moore	77	Director
Richard T. Niner	60	Director
O. Curtis Noel	64	Director
Charles E. Mitchell Rentschler	60	Director

Brian D. McLaughlin has been President and Chief Executive Officer of Hurco since December 1987. From 1982 to 1987, he was employed as President and General Manager of various divisions of Ransburg Corporation, an international manufacturer of factory automation equipment. Previously, he was employed in general management and marketing management positions with Eaton Corporation. Mr. McLaughlin has been a director since 1987.

Roger J. Wolf has been Senior Vice President, Secretary, Treasurer and Chief

Financial Officer since January 1993. Prior to joining Hurco, Mr. Wolf was Executive Vice President of a privately owned investment and service business for over seven years. Previously, he served as Vice President, Corporate Controller, Vice President and Treasurer of Ransburg Corporation, an international manufacturer of factory automation equipment.

James D. Fabris was elected Executive Vice President - Operations in November 1997 and Vice President of Hurco in February 1995. Mr. Fabris was President of Hurco Machine Tool Products Division from November 1993 to December 1997 and previously served various operating capacities since being employed by Hurco in 1988.

Richard Blake was named President of Hurco Machine Tool Products Division in November 1997 and Vice President of Hurco in January 1996. Mr. Blake also served as Managing Director of Hurco Europe, Ltd., a subsidiary of Hurco, from December 1993 until October 1998. Mr. Blake previously served in several sales and marketing capacities since being employed by Hurco in 1989.

David E. Platts has been employed by Hurco since 1982, and was elected Vice President, Research and Development in 1989.

Stephen J. Alesia joined Hurco in June 1996 and was elected an executive officer in September 1996. Prior to joining Hurco, Mr. Alesia was employed for seven years by Arthur Andersen LLP, an international public accounting firm.

Hendrik J. Hartong, Jr. is a general partner of Brynwood Management III and Brynwood Management IV, L.P., the general partner of Brynwood Partners III and Brynwood Partners IV, L.P. Mr. Hartong is also a general partner of Brynwood Management II, L.P., the general partner of Brynwood Partners II, L.P., and until December 31, 1998, was a general partner of Brynwood Management, the general partner of Brynwood Partners Limited Partnership. Mr. Hartong has served as a director of Lincoln Snacks since June 1998. Mr. Hartong has also served as a director and Chairman of the Board of Air Express International Corporation since 1985. Mr. Hartong has been a director since 1986.

Andrew L. Lewis IV has served as Chief Executive Officer of KRR Partners, L.P. since July 1993. Mr. Lewis was a consultant for USPCI of Pennsylvania, Inc. from 1991 to 1993. Mr. Lewis is also a director of Air Express International Corporation. Mr. Lewis has been a director since 1988.

E. Keith Moore has served as President of Hurco International, Inc., a subsidiary of the Hurco, from April 1988 until December 1999. Mr. Moore is also a director of Met-Coil Systems Corporation. Mr. Moore has been a director since 1990.

Richard T. Niner was elected Chairman of the Board of Directors on March 9, 1999. Mr. Niner is a general partner of Wind River Associates. Mr. Niner is also a general partner of Brynwood Management II, L.P., the general partner of Brynwood Partners II, L.P., and until December 31, 1998, was a general partner of Brynwood Management, the general partner of Brynwood Partners Limited Partnership. Mr. Niner is also a director of Air Express International Corporation, Arrow International, Inc. and Case, Pomeroy & Company, Inc. Mr. Niner has been a director since 1986.

O. Curtis Noel has been an independent business consultant for more than ten years specializing in market and industry studies, competitive analysis and corporate development programs with clients in the U.S. and abroad. Mr. Noel has been a director since 1993.

Charles E. Mitchell Rentschler has served as President and Chief Executive Officer of The Hamilton Foundry & Machine Co. since 1985. Mr. Rentschler has been a director since 1986.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own more than 10% of our common stock, to file reports of ownership with the Securities and Exchange Commission and Nasdaq. Such persons are also required to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of the copies of such forms received or written representations from certain reporting persons that they were not required to file a Form 5 to report previously unreported ownership or changes in ownership, we believe that, during our fiscal year ending October 31, 1999, our officers, directors and greater than 10% beneficial owners complied with all filing requirements under Section 16(a).

Item 11. EXECUTIVE COMPENSATION

Summary Compensation

The following table sets forth all compensation paid or accrued during each of the last three fiscal years to the Chief Executive Officer and each of the other four executive officers of Hurco (the Named Executive Officers) whose salary and bonus exceeded $100,000 during fiscal 1999.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation	
Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)(1)	Other Annual Compensation ($)	Securities Underlying Options(2)	All Other Compensation ($) (3)
Brian D. McLaughlin	1999	$268,077	--	--	50,000	$52,206
President and CEO	1998	258,077	75,000	--	--	52,206
	1997	250,000	125,000	--	--	51,726
Roger J. Wolf	1999	$165,946	--		25,000	$47,566
Sr. VP, Secretary	1998	160,039	50,000	--	--	48,064
Treasurer and CFO	1997	156,000	60,000	--	--	47,086
James D. Fabris	1999	$165,904	--	--	35,000	$23,984
Executive Vice	1998	156,154	65,000	--	--	24,054
President - Operations	1997	140,000	60,000	--	--	23,504
Richard Blake	1999	$135,268	--	--	--	--
V.P. of Hurco and	1998	128,124	40,000	--	--	$1,791
President Hurco Machine Tool Products Division	1997	108,550	41,750	--	--	4,633
David E. Platts	1999	$105,000	--	--	10,000	$14,802
Vice President of	1998	104,038	10,000	--	--	15,436
Research & Development	1997	100,000	45,000	--	--	13,153

(1) Represents cash bonuses earned and paid in the subsequent year.
(2) Represents shares of common stock underlying grants of options made during the year. We have not granted any Stock Appreciation Rights (SARs).
(3) Represents our contribution to defined contribution plans and split dollar life insurance premiums. During fiscal 1997, we initiated Split-Dollar Life Insurance Agreements with certain officers of Hurco. Under the terms of the agreements, we pay all of the premiums on behalf of the officers. We will be repaid the premiums from the policies' cash surrender value when the policies are terminated in accordance with the provisions of the agreements.

Name	Defined Contribution Plan Company Match	Company paid Split-Dollar Life Insurance Premiums
Brian D. McLaughlin	$4,800	$47,406
Roger J. Wolf	4,800	42,766
James D. Fabris	4,800	19,184
David E. Platts	2,587	12,215

Stock Options

The following table sets forth information related to options exercised during fiscal 1999 and options held at fiscal year-end by the Named Executive Officers. We do not have any outstanding SARs.

Option Grants During Fiscal 1999 Fiscal Year

Name	Number of Securities Underlying Options Granted2	% of Total Options Granted to Employees in Fiscal Year	Exercise Price ($/SH)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term1 5%($)	10%($)
Brian D. McLaughlin	50,000	16.4%	$5.813	12/15/08	182,788	463,221
Roger J. Wolf	25,000	8.2%	$5.813	12/15/08		231,611
James D. Fabris	35,000	11.5%	$5.813	12/15/08	127,952	324,255
David E. Platts	10,000	3.3%	$5.813	12/15/08	36,558	92,644

1 The potential realizable value illustrates value that might be realized upon the exercise of the options immediately prior to the expiration of their terms, assuming the specified compounded rates of appreciation of Hurco's common stock

from the date of grant through the term of the options.

2 Options may be exercised in five annual installments commencing on the first anniversary of the date of grant.

Aggregated Option Exercises in Fiscal 1999 and Year-End Option Values

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at FY-End (#)		Value of Unexercised In-the-Money Options at FY-End ($) (1)	
			Exer- cisable	Unexer- cisable	Exer- cisable	Unexer- cisable
Brian D. McLaughlin	--	--	125,000	50,000	$70,000	--
Roger J. Wolf	--	--	50,000	25,000	7,000	--
James D. Fabris	--	--	36,000	39,000	33,250	--
Richard Blake	--	--	17,000	4,000	7,875	--
David E. Platts	--	--	28,000	12,000	20,625	--

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(1) Value is calculated based on the closing market price of the common stock on October 31, 1999 ($ 3.50) less the option exercise price.

Compensation of Directors

During 1999, each director who is not a full-time employee of Hurco received a fee of $1,500 for each meeting of the Board of Directors attended and each such director also received $5,000 per quarter. Directors are also entitled to receive reimbursement for travel and other expenses incurred in attending such meetings. Mr. Niner received annual compensation of $72,000 for his services as Chairman of the Executive Committee of the Board of Directors.

Employment Contracts

Brian D. McLaughlin entered into an employment contract on December 14, 1987. The contract term is month-to-month. Mr. McLaughlin's salary and bonus arrangements are set annually by the Board of Directors. Other compensation, such as stock option grants, is awarded periodically at the discretion of the Board of Directors. As part of that contract, Mr. McLaughlin is entitled to 12 months' salary if his employment is terminated for any reason other than gross misconduct.

Roger J. Wolf entered into an employment contract on January 8, 1993. The contract term is unspecified. Mr. Wolf's salary and bonus arrangements are set annually by the Board of Directors. Other compensation, such as stock option grants, is awarded periodically at the discretion of the Board of Directors. As part of that contract, Mr. Wolf is entitled to 12 months' salary if his employment is terminated without just cause.

James D. Fabris entered into an employment contract on November 18, 1997. The contract term is unspecified. Mr. Fabris' salary and bonus arrangement are set annually by the Board of Directors. Other compensation, such as stock option grants, is awarded periodically at the discretion of the Board of Directors. As part of the contract, Mr. Fabris is entitled to 12 months' salary if his employment is terminated for any reason other than gross misconduct.

Richard Blake entered into an employment contract on April 21, 1999 which extends through December 31, 2000. Mr. Blake's salary and bonus arrangements are set annually by the Board of Directors. Other compensation, such as stock option grants, is awarded periodically at the discretion of the Board of Directors. As part of the contract, Mr. Blake is entitled to continuation of base salary through December 31, 2000, if his employment is terminated without cause. Mr. Blake may voluntarily resign in which case Hurco has no further obligation.

Compensation Committee Interlocks and Insider Participation

During fiscal 1999, the members of the Compensation Committee were Hendrik J. Hartong, Jr., O. Curtis Noel and Charles E. Mitchell Rentschler. None of the Committee members is a current or former officer or employee of Hurco or any of its subsidiaries.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

AND MANAGEMENT

The following table sets forth information as of January 15, 2000, regarding beneficial ownership of our common stock by each director and Named Executive Officer, by all directors and executive officers as a group, and by certain other beneficial owners of more than 5% of the common stock. Each such person has sole voting and investment power with respect to such securities, except as otherwise noted.

	Shares Beneficially Owned	
Name and Address	Number	Percent
Other Beneficial Owners		
Wellington Management Co. 75 State Street Boston, Massachusetts 02109	646,900 (1)	10.9%
The Prudential Insurance Company of America 4 Gateway Center Newark, New Jersey 07102	489,364	8.2%
The TCW Group, Inc. 865 South Figueroa Street Los Angeles, California 90017	324,800 (2)	5.5%
Brynwood Partners II L.P., et al Two Soundview Avenue Greenwich, Connecticut 06830	762,561 (3)	12.0%
Dimensional Fund Advisors 1299 Ocean Avenue Santa Monica, CA 90401	380,700	6.4%
FMR Corporation 82 Devonshire Street Boston, Massachusetts 02109	379,028 (4)	6.4%
Directors and Executive Officers		
Hendrik J. Hartong, Jr.	346,013 (3,5)	5.4%
Andrew L. Lewis IV	34,000 (5)	0.5%
Brian D. McLaughlin	183,586 (6,7)	2.9%
E. Keith Moore	38,010 (8)	0.6%
Richard T. Niner	694,549 (3,5)	10.9%
O. Curtis Noel	25,000 (5)	0.4%
Charles E. Mitchell Rentschler	45,000 (5,9)	0.7%
Roger J. Wolf	68,492 (10)	1.1%
James D. Fabris	43,500 (11)	0.7%
Richard Blake	18,000 (12)	0.3%
David E. Platts	31,700 (13)	0.5%
Executive officers and directors as a group (12 persons)	1,254,849 (14)	19.7%

(1) According to the most recent public filings, Wellington Management Co. has shared voting power for all shares.

(2) According to the most recent public filings, the TCW Group, Inc. has shared voting power for all shares.

(3) Represents shares owned by a group, consisting of Brynwood Partners II L.P. ("Brynwood II"), its general partner, Brynwood Management II, L.P. ("Brynwood Management II"), and the partners of Brynwood Management, Hendrik J. Hartong, Jr., and Richard T. Niner. Brynwood Management II has shared voting and dispositive power over 278,001 shares; Mr. Hartong has sole voting and dispositive power over 68,012 (including 25,000 shares subject to the exercise of non-qualified options) shares and shared voting and dispositive power over 278,001 shares; Mr. Niner has sole voting and dispositive power over 416,548 (including 25,000 shares subject to the exercise of non-qualified options) shares and shared voting and dispositive power over 278,001 shares. The shares in the table for Mr. Hartong and Mr. Niner include those shares over which they have voting and investment power.

(4) According to most recent public filings, FMR Corporation has no voting power for any of the shares.

(5) Includes 25,000 shares subject to the exercise of non-qualified options that are exercisable within 60 days.

(6) Includes 135,000 subject to options held by Mr. McLaughlin that are exercisable within 60 days.

(7) Includes 10,986 shares owned by Mr. McLaughlin's wife and

children, as to which he may be deemed to have beneficial ownership.

(8) Includes 11,000 shares subject to options that are exercisable within 60 days.

(9) Includes 1,000 shares owned by Mr. Rentschler's wife, as to which he may be deemed to have beneficial ownership.

(10) Includes 55,000 shares subject to options that are exercisable within 60 days.

(11) Includes 43,000 shares subject to options that are exercisable within 60 days.

(12) Includes 17,000 shares subject to options that are exercisable within 60 days.

(13) Includes 30,000 shares subject to options that are exercisable within 60 days.

(14) Includes 421,000 shares subject to options that are exercisable within 60 days.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Hurco and Air Express International (AEI) are related parties because a common group of shareholders held a significant ownership interest in both companies during fiscal 1999. AEI provides freight forwarding and shipping services for us. The cost of these freight services are negotiated on an arms length basis and amounted to $4.3 million during fiscal 1999.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) 1. Financial Statements. The following consolidated financial statements of Registrant are included herein under

Item 8 of Part II:

2. Financial Statement Schedules. The following financial statement schedule is included in this Item.

All other financial statement schedules are omitted because they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the three months ended October 31, 1999.

(c) Exhibits

Exhibits are filed with this Form 10-K or incorporated herein by reference as listed on Pages 49 and 50.

Schedule II - Valuation and Qualifying Accounts and Reserves

for the years ended October 31, 1999, 1998 and 1997

(Dollars in thousands)

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Allowance for doubtful accounts for the year ended:					
October 31, 1999	$ 769	$ 231	$ --	$ 313 3	$ 687
October 31, 1998	$ 757	$ 280	$ --	$ 268 2	$ 769
October 31, 1997	$ 785	$ 73	$ --	$ 101 1	$ 757
Accrued warranty expenses for the year ended:					
October 31, 1999	$ 1,060	$ 533	$ --	$ 625	$ 968
October 31, 1998	$ 1,452	$ 503	$ --	$ 895	$ 1,060
October 31, 1997	$ 1,425	$ 1,321	$ --	$ 1,294	$ 1,452
Accrued restructuring expenses for the year ended:					
October 31, 1999	$ 690	$ (103)	$ --	$ 224	$ 363
October 31, 1998	$ --	$ 1,162	$ 471	$ --	$ 690

1 Receivable write-offs of $106,000, net of cash recoveries on accounts previously written off of $5,000. 2 Receivable write-offs of $280,000, net of cash recoveries on accounts previously written off of $12,000. 3 Receivable write-offs of $337,000, net of cash recoveries on account previously written off of $24,000.

EXHIBITS INDEX

Exhibits Filed. The following exhibits are filed with this report:

10.1 The third amendment to the amended and restated credit agreement and amendment to reimbursement agreement between the Registrant and Bank One, Indiana National Association and Bank One, Michigan (formerly known as NBD Bank) dated August 17, 1999.

10.2 Third amendment to European facility between the Registrant and The First National Bank of Chicago dated August 17, 1999.

10.3 Employment agreement between the Registrant and Richard Blake dated April 21, 1999.

10.4 Form of Director Non-Qualified Stock Option Agreement between the Registrant and Hendrick J. Hartong, Jr., Andrew L.

Lewis IV, Richard T. Niner, O. Curtis Noel and Charles E. Mitchell Rentschler.

11	Statement re: computation of per share earnings
21	Subsidiaries of the Registrant
23	Consent of the Independent Public Accountants - Arthur Andersen LLP.
27	Financial Data Schedule (electronic filing only)

Exhibits Incorporated by Reference.

The following exhibits are incorporated into this report:

3.1	Amended and Restated Articles of Incorporation of the Registrant, incorporated by reference to Exhibit 3.1, to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 1997.
3.2	Amended and Restated By-Laws of the Registrant dated September 12, 1995, incorporated by reference to Exhibit 3.3, to the Registrant's Quarterly Report on Form 10-Q for the quarter ended January 31, 1996.
10.1	The Underlease between Dikappa (Number 220) Limited and Northern & London Investment Trust Limited dated December 2, 1982, incorporated by reference to Exhibit 10.13, to its Registration Statement on Form S-1, No.2-82804 dated April 1, 1983.
10.2	Non-Qualified Stock Option Agreement between the Registrant and O. Curtis Noel effective, March 3, 1993, incorporated by reference to Exhibit 10.44, to the Registrant's Annual Report on Form 10-K for the year ended October 31, 1993.
10.3	Employment Agreement between the Registrant and Roger J. Wolf dated January 8, 1993, incorporated by reference to Exhibit 10.45, to the Registrant's Annual Report on Form 10-K for the year ended October 31, 1993.
10.4	Non-qualified Stock Option Agreement between the Registrant and Hendrik J. Hartong, Jr., effective July 8, 1996 incorporated by reference to Exhibit 10.47 to the Registrant's Report on Form 10-K for the year ended October 31, 1996.
10.5	Non-qualified Stock Option Agreement between the Registrant and Andrew L. Lewis IV, effective July 8, 1996 incorporated by reference to Exhibit 10.48 to the Registrant's Report on Form 10-K for the year ended October 31, 1996.
10.6	Non-qualified Stock Option Agreement between the Registrant and Richard T. Niner, effective July 8, 1996 incorporated by reference to Exhibit 10.49 to the Registrant's Report on Form 10-K for the year ended October 31, 1996.
10.7	Non-qualified Stock Option Agreement between the Registrant and O. Curtis Noel, effective July 8, 1996 incorporated by reference to Exhibit 10.50 to the Registrant's Report on Form 10-K for the year ended October 31, 1996.
10.8	Non-qualified Stock Option Agreement between the Registrant and Charles E. Mitchell Rentschler, effective July 8, 1996 incorporated by reference to Exhibit 10.51 to the Registrant's Report on Form 10-K for the year ended October 31, 1996.
10.9	1997 Stock Option and Incentive Plan, effective May 29, 1997, incorporated by reference to Exhibit 10.52 in Form 10-Q for the quarter ended July 31, 1997.
10.10	Amended and Restated Credit Agreement and Amendment to Reimbursement Agreement, effective September 8, 1997 between the Registrant and NBD Bank, N.A. and NBD Bank incorporated by

reference to Exhibit 10.10 in Form 10-K for the year ended October 31, 1997.

10.11 Second Amended and Restated Senior Note Agreement between the Registrant and Principal Mutual Life Insurance Company effective September 8, 1997 incorporated by reference to Exhibit 10.11 in Form 10-K for the year ended October 31, 1997.

10.12 Letter Agreement (European Facility) dated September 8, 1997, between Registrant's subsidiaries and The First National Bank of Chicago incorporated by reference to Exhibit 10.12 in Form 10-K for the year ended October 31, 1997.

10.13 Guaranty Agreement dated September 8, 1997, between the Registrant and The First National Bank of Chicago incorporated by reference to Exhibit 10.13 in Form 10-K for the year ended October 31, 1997.

10.14 Guaranty Agreement dated September 8, 1997, between Autocon Technologies, Inc. and The First National Bank of Chicago incorporated by reference to Exhibit 10.14 in Form 10-K for the year ended October 31, 1997.

10.15 Employment agreement between the Registrant and James D. Fabris dated November 18, 1997, incorporated by reference as exhibit 10.15 to the Registrant's Quarterly Report of Form 10-Q for the quarter ended January 31, 1998.

10.16 The first amendment to the amended and restated credit agreement and amendment to reimbursement agreement between the Registrant and NBD Bank N.A. dated September 29, 1998, incorporated by reference as Exhibit 10.1 to the Registrant's Annual Report on Form 10-K for the year ended October 31, 1998.

10.17 The second amendment to the amended and restated credit agreement and amendment to reimbursement agreement between the Registrant and NBD Bank N.A. dated December 19, 1998, incorporated by reference as Exhibit 10.1 to the Registrant's Quarterly Report of Form 10Q for the quarter ended January 31, 1999.

10.18 Sublease between Autocon Technologies, Inc. and Robert Bosch Corporation dated April 30, 1999, incorporated by reference as Exhibit 10.1 to the Registrant's Annual Report on Form 10-Q for the quarter ended April 30, 1999.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, this 27th day of January, 2000.

HURCO COMPANIES, INC.

By:_____________________
Roger J. Wolf
Senior Vice-President,
Secretary, Treasurer and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature and Title(s)	Date
______________________________ Brian D. McLaughlin, Director, President and Chief Executive Officer of Hurco Companies, Inc. (Principal Executive Officer)	January 27, 2000

________________ January 27, 2000

Roger J. Wolf
Senior Vice-President,
Secretary, Treasurer and
Chief Financial Officer
of Hurco Companies, Inc.

(Principal Financial Officer)

____________________ January 27, 2000

Stephen J. Alesia
Corporate Controller
of Hurco Companies, Inc.

(Principal Accounting Officer)

____________________________ January 27, 2000

Hendrik J. Hartong, Jr., Director

______________________ January 27, 2000

Andrew L. Lewis, IV, Director

__________________ January 27, 2000

E. Keith Moore, Director

____________________ January 27, 2000

Richard T. Niner, Director

_________________ January 27, 2000

O. Curtis Noel, Director

____________________________ January 27, 2000

Charles E. M. Rentschler, Director

Exhibit 10.1

THE THIRD AMENDMENT TO THE

AMENDED AND RESTATED CREDIT AGREEMENT AND

AMENDMENT TO REIMBURSEMENT AGREEMENT,
Between the Registrant and Bank One, Indiana National Association and Bank One, Michigan (formerly known as NBD Bank) dated August 17, 1999

THIRD AMENDMENT TO

AMENDED AND RESTATED CREDIT AGREEMENT

AND AMENDMENT TO REIMBURSEMENT AGREEMENT

THIS THIRD AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT AND AMENDMENT TO REIMBURSEMENT AGREEMENT, dated as of August 17, 1999 (this "Amendment"), among HURCO COMPANIES, INC., an Indiana corporation (the "Company"), BANK ONE, INDIANA, NATIONAL ASSOCIATION, a national banking association (successor in interest by merger to NBD Bank, N. A.) ("Bank One, Indiana"), and BANK ONE, MICHIGAN, a Michigan banking corporation (formerly known as NBD Bank) ("Bank One, Michigan" and, collectively with Bank One, Indiana, the "Banks").

RECITALS

A. The parties hereto have entered into an Amended and Restated Credit Agreement and Amendment to Reimbursement Agreement dated as of September 8, 1997 (as amended, the "Credit Agreement"), which is in full force and effect.

B. The Company desires to further amend the Credit Agreement as herein provided, and the Bank is willing to so amend the Credit Agreement on the terms set forth herein.

AGREEMENT

Based upon these recitals, the parties agree as follows:

1. Amendment. Upon the Company satisfying the condition set forth in paragraph 4 (the date that this occurs being called the "Effective Date"), the Credit Agreement shall be amended as follows:

(a) The definition of the term "Applicable Additional Margin" is added, to read as follows:

"Applicable Additional Margin", during periods when the Fixed Charge Ratio is less than 1.25 to 1.00, means a margin per annum equal to 0.25%.

(b) The definition of the term "Applicable Commitment Fee" is amended and restated, to read as follows:

"Applicable Commitment Fee" means the following per annum rate in effect on each Interest Payment Date, based upon the ratio of the Consolidated Total Indebtedness to EBITDA, as adjusted on the first day of each fiscal quarter of the Company, based upon such ratio for the four fiscal quarters immediately preceding the fiscal quarter most recently ended (e.g., beginning with a fiscal quarter starting February 1, the per annum rate shall be based on the ratio for the four fiscal quarters ending on the prior October 31):

	Ratio	Commitment Fee
(a)	less than or equal to 1.0 to 1.0	0.20%
(b)	greater than 1.0 to 1.0 and less than or equal to 2.0 to 1.0	0.25%
(c)	greater than 2.0 to 1.0 and less than or equal to 2.5 to 1.0	0.3125%
(d)	greater than 2.5 to 1.0 and less than or equal to 3.0 to 1.0	0.375%
(e)	greater than 3.0 to 1.0	0.50%

(c) The definition of the term "Applicable Eurodollar Rate Margin" is amended and restated, to read as follows:

"Applicable Eurodollar Rate Margin" means the following margin per annum based upon the ratio of the Consolidated Total Indebtedness to EBITDA, as adjusted on the first day of each fiscal quarter of the Company, based upon such ratio for the four fiscal quarters immediately preceding the fiscal quarter most recently ended (e.g., beginning with a fiscal quarter starting February 1, the per annum rate shall be based on the ratio for the four fiscal quarters ending on the prior October 31); provided, that, the Eurodollar Rate shall not be adjusted pursuant to the Applicable Eurodollar Rate Margin for any outstanding Eurodollar Rate Loan during the applicable Eurodollar Interest Period:

	Ratio	Eurodollar Rate Margin
(a)	less than or equal to 1.0 to 1.0	1.0%
(b)	greater than 1.0 to 1.0 and less than or equal to 1.5 to 1.0	1.125%
(c)	greater than 1.5 to 1.0 and less than or equal to 2.0 to 1.0	1.25%
(d)	greater than 2.0 to 1.0 and less than or equal to 2.5 to 1.0	1.5%
(e)	greater than 2.5 to 1.0 and less than or equal to 3.0 to 1.0	1.75%
(f)	greater than 3.0 to 1.0	2.0%

(d) The definition of the term "Automatic Termination Date" is amended and restated, to read as follows:

"Automatic Termination Date" means May 1, 2002.

(e) The definition of the term "Cumulative Net Income" is amended and restated, to read as follows:

"Cumulative Net Income" means, as of any date, the consolidated net income of the Company and its Subsidiaries (after deduction for income taxes, including without limitation the SBT) for the period commencing on May 1, 1999, through the end of the most recently completed fiscal quarter, taken as one accounting period all as determined in accordance with Generally Accepted Accounting Principles.

(f) The definition of the term "Eurodollar Rate" is amended and restated, to read as follows:

"Eurodollar Rate" means, with respect to any Eurodollar Rate Loan and the related Eurodollar Interest Period, the per annum rate that is equal to the sum of:

(a) the Applicable Eurodollar Rate Margin, plus

(b) the Applicable Additional Margin, plus

(c) the rate per annum obtained by dividing (i) the per annum rate of interest at which deposits in Dollars for such European Interest Period and in aggregate amount comparable to the amount of such Eurodollar Rate Loan are offered to the Bank by other prime banks in the London interbank market at approximately 11 a.m. London time on the second Eurodollar Business Day prior to the first day of such Eurodollar Interest Period by (ii) an amount equal to one minus the stated maximum rate (expressed as a decimal) of all reserve requirements (including, without limitation, any marginal, emergency, supplemental, special or other reserves) that are specified on the first day of such Eurodollar Interest Period by the Board of Governors of the Federal Reserve System (or any successor agency thereto) for determining the maximum reserve requirement with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities" in Regulation D of such Board) maintained by a member bank of such System;

all as conclusively determined by the Bank (absent manifest error), such sum to be rounded up, if necessary, to the nearest whole multiple of one one-hundredth of one percent (1/100 of 1%).

(g) The definition of the term "European Facility" is amended and restated, to read as follows:

"European Facility" means a facility under which FCNBD, in its sole discretion, may make revolving credit loans in favor of any of the European Subsidiaries not to exceed $5,000,000 or its Dollar Equivalent (subject to Section 2.1(b)) pursuant to a letter agreement of even date herewith, as amended from time to time.

(h) The definition of the term "European Subsidiaries" is added, to read as follows:

"European Subsidiaries" means, collectively, Hurco Europe, Hurco GmbH, Hurco B.V., and Hurco S.A.R.L.

(i) The definition of the term "Fixed Charge Ratio" is added, to read as follows:

"Fixed Charge Ratio" is defined in Section 5.2(b).

(j) The definition of the term "Floating Rate" is amended and restated, to read as follows:

"Floating Rate" means the per annum rate equal to the sum of

(a) the Applicable Additional Margin, plus

(b) the greater of (i) the Prime Rate in effect from time to time, and (ii) the sum of one percent (1%) per annum plus the Federal Funds Rate in effect from time to time, which Floating Rate shall change simultaneously with any change in the Prime Rate or Federal Funds Rate, as the case may be.

(k) The definition of the term "Hurco B.V." is added, to read as follows:

"Hurco B.V." means Hurco B.V., a limited liability company organized under the laws of the Netherlands, and an indirect wholly-owned subsidiary of the Company.

(l) The definition of the term "Hurco S.A.R.L. " is added, to read as follows:

"Hurco S.A.R.L." means Hurco S.A.R.L., a limited liability company organized under the laws of France, and an indirect wholly-owned subsidiary of the Company.

(m) Section 5.2(b) is amended and restated, to read as follows:

(b) Fixed Charge Ratio. As of the end of each fiscal quarter ending on the dates set forth below, permit the ratio of Consolidated Income Available for Fixed Charges to Consolidated Fixed Charges for the preceding twelve months (the "Fixed Charge Ratio") to be less than the amount set forth next to such date:

Fiscal Quarter Ending	Ratio
July 31, 1999	1.25 to 1.00
October 31, 1999	1.25 to 1.00
January 31, 2000	1.10 to 1.00
April 30, 2000	1.00 to 1.00
July 31, 2000	1.00 to 1.00
October 31, 2000	1.00 to 1.00
January 31, 2001	1.00 to 1.00
April 30, 2001	1.10 to 1.00
July 31, 2001	1.10 to 1.00
October 31, 2001	1.25 to 1.00
January 31, 2002	1.25 to 1.00
April 30, 2002	1.25 to 1.00
July 31, 2002	1.25 to 1.00
October 31, 2002	1.25 to 1.00

(n) Section 5.2(c) is amended and restated, to read as follows:

(c) Tangible Net Worth. Permit or suffer consolidated Tangible Net Worth of the Company and its Subsidiaries as of the last day of each fiscal quarter ending after April 30, 1999, to be less than the sum of (i) $30,000,000 plus (ii) an amount equal to fifty percent (50%) of Cumulative Net Income of the Company and its Subsidiaries at the end of the fiscal quarter plus (iii) an amount equal to seventy-five percent (75%) of the aggregate Equity Proceeds received by the Company or its Subsidiaries after April 30, 1999, and on or prior to the end of the fiscal quarter.

(o) Section 5.2(j) is amended and restated, to read as follows:

(j) Capital Expenditures. Acquire or contract to acquire any fixed asset or make other Capital Expenditure if the aggregate purchase price and other acquisition costs of all such fixed assets acquired and other Capital Expenditures made by the Company and any of its Subsidiaries during any fiscal quarter, together with the Capital Expenditures made during the prior three fiscal quarters, would exceed, on a consolidated basis, (i) during each fiscal quarter of the Fiscal Years 1999, 2001, and 2002 (except for the fourth quarter ending October 31, 1999), an amount equal to the greater of (A) the amount which would allow the ratio of EBITDAR to the sum of the Consolidated Fixed Charges plus Capital Expenditures to be not less than 1.15 to 1.0 for the four fiscal quarters immediately preceding the date of the proposed Capital Expenditure, and (B) the consolidated depreciation and amortization expense of the Company and its Subsidiaries for such four fiscal quarter period, and (ii) during the fourth quarter ending October 31, 1999 and each fiscal quarter of Fiscal Year 2000, an amount equal to the greater of (A) the amount which would allow the ratio of EBITDAR to the sum of the Consolidated Fixed Charges plus Capital Expenditures to be not less than 1.15 to 1.0 for the four fiscal quarters immediately preceding the date of the proposed Capital Expenditure, and (B) 150% of the consolidated depreciation and amortization expense of the Company and its Subsidiaries for such four fiscal quarter period.

(p) Schedule 4.4 is replaced by Schedule 4.4 attached hereto.

2. References to Credit Agreement. From and after the effective date of this Amendment, references to the Credit Agreement in the Credit Agreement and all other documents issued under or with respect thereto (as each of the foregoing is amended hereby or pursuant hereto) shall be deemed to be references to the Credit Agreement as amended hereby.

3. Representations and Warranties. The Company represents and warrants to the Banks that:

(a) (i) The execution, delivery and performance of this Amendment and all agreements and documents delivered pursuant hereto by the Company have been duly authorized by all necessary corporate action and do not and will not violate any provision of any law, rule, regulation, order, judgment, injunction, or award presently in effect applying to it, or of its articles of incorporation or bylaws, or result in a breach of or constitute a default under any material agreement, lease or instrument to which the Company is a party or by which it or its properties may be bound or affected (including without limitation any credit facility with Principal Mutual Life Insurance Company); (ii) no authorization, consent, approval, license, exemption or filing of a registration with any court or governmental department, agency or instrumentality is or will be necessary to the valid execution, delivery or performance by the Company of this Amendment and all agreements and documents delivered pursuant hereto; and (iii) this Amendment and all agreements and documents delivered pursuant hereto by the Company are the legal, valid and binding obligations of the Company, enforceable against it in accordance with the terms thereof.

(b) After giving effect to the amendments contained herein, the representations and warranties contained in Article IV (other than Section 4.6) of the Credit Agreement are true and correct on and as of the effective date hereof with the same force and effect as if made on and as of the effective date.

(c) No Event of Default has occurred and is continuing or will exist under the Credit Agreement as of the effective date hereof.

4. Conditions to Effectiveness. This Amendment shall not become effective until the Banks have received the following documents and the following conditions have been satisfied, each in form and substance satisfactory to the Banks:

(a) Copies, certified as of the effective date hereof, of such corporate documents of the Company and the Guarantors as the Banks may request, including articles of incorporation, bylaws (or certifying as to the continued accuracy of the articles of incorporation and by-laws previously delivered to the Banks), and incumbency certificates, and such documents evidencing necessary corporate action by the Company and the Guarantors with respect to this Amendment and all other agreements or documents delivered pursuant hereto as the Banks may request;

(b) A letter agreement regarding the Third Amendment to European Facility of even date herewith among the European Subsidiaries and FCNBD, in form and substance satisfactory to the Banks;

(c) A Confirmation of Subsidiary Guaranty of even date herewith executed by the Guarantors in favor of the Banks and FCNBD, in form and substance satisfactory to the Banks;

(d) Such additional agreements and documents, fully executed by the Company, as are reasonably requested by the Banks; and

(e) The Company has paid the Banks on or prior to the Effective Date an arrangement fee in the amount of $37,500.

5. Miscellaneous. The terms used but not defined herein shall have the respective meanings ascribed thereto in the Credit Agreement. Except as expressly amended, the Credit Agreement and all other documents issued under or with respect thereto are ratified and confirmed by the Banks and the Company and shall remain in full force and effect, and the Company hereby acknowledges that it has no defense, offset or counterclaim with respect thereto.

6. Counterparts. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Amendment by signing any such counterpart.

7. Expenses. The Company agrees to pay and save the Banks harmless from liability for all costs and expenses of the Banks arising in respect of this Amendment, including the reasonable fees and expenses of Dickinson Wright PLLC, counsel to the Banks, in connection with preparing and reviewing this Amendment and any related agreements and documents.

8. Governing Law. This Amendment is a contract made under, and shall be governed by and construed in accordance with, the laws of the State of Indiana applicable to contracts made and to be performed entirely within such state and without giving effect to the choice law principles of such state.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

HURCO COMPANIES, INC.	BANK ONE, INDIANA, NATIONAL ASSOCIATION
By: ________________________	By: __________________________
Its: ___________________	Its: __________________

BANK ONE, MICHIGAN

By: ________________________

Its: ___________________

DETROIT 15275-5 452428-4

Exhibit 10.2

THIRD AMENDMENT TO EUROPEAN FACILITY

Between the Registrant and The First National Bank of Chicago

dated August 17, 1999

THE FIRST NATIONAL BANK OF CHICAGO,
London Branch

THE FIRST NATIONAL BANK OF CHICAGO,
Frankfurt Branch

90 Long Acre, Convent Garden

London WC2E 9RB

England

Dated as of August 17, 1999

Hurco Europe Limited
Hurco GmbH Werkzeugmaschinen

CIM-Bausteine Vertrieb und Service
Hurco B.V.
Hurco S.A.R.L.

Re: Third Amendment to European Facility

Ladies and Gentlemen:

This letter amends the letter agreement with you dated September 8, 1997 (as amended, the "European Facility"), and is being entered into in conjunction with the Third Amendment to Amended and Restated Credit Agreement and Amendment to Reimbursement Agreement of even date herewith with your parent, Hurco Companies, Inc. (the "Amendment").

(a) The first paragraph of the European Facility is amended and restated to read as follows:

Concurrently herewith, Hurco Companies, Inc., an Indiana corporation which directly or indirectly owns 100% of you ("Hurco Companies"), and Bank One, Indiana, National Association, a national banking association (successor in interest by merger to NBD Bank, N.A.) ("Bank One, Indiana") and Bank One, Michigan, a Michigan banking corporation (formerly known as NBD Bank) ("Bank One, Michigan"), have entered into that certain Amended and Restated Credit Agreement and Amendment to Reimbursement Agreement, dated as of even date herewith (as amended, the "Credit Agreement"). This letter sets forth our agreement with respect to the working capital credit facility which The First National Bank of Chicago, London Branch, and The First National Bank of Chicago, Frankfurt Branch (collectively, "FCNBD"), are willing to establish for you (the "Facility"). (References to "you" and "your" in this agreement mean, individually and not collectively, Hurco Europe Limited, a corporation organized and existing under the laws of England and Wales ("Hurco Europe"), Hurco GmbH Werkzeugmaschinen CIM - Bausteine Vertrieb und Service ("Hurco GmbH"), Hurco B.V. ("Hurco BV"), a limited liability company organized under the laws of the Netherlands, and Hurco S.A.R.L. ("Hurco S.A.R.L."), a limited liability company organized under the laws of France.

(b) The definition of "Expiration Date" contained in Section 7 of the European Facility is amended and restated to read as follows:

"Expiration Date" means the earlier to occur of (a) May 1, 2002, and (b) the date on which the Authorization shall be terminated pursuant to Paragraph 12.

(c) All references in the European Facility to "NBD" are replaced with "Bank One, Indiana."

(d) All references in the European Facility to "NBD Michigan" are replaced with "Bank One, Michigan."

Should the foregoing be agreeable to you, as it is to us, please indicate your agreement and acceptance by executing and returning the enclosed copy of this letter, whereupon the European Facility shall be amended as herein provided, and references to the European Facility shall be to the European Facility as so amended. Except as amended hereby, the European Facility shall remain in full force and effect.

Very truly yours,

THE FIRST NATIONAL BANK OF
CHICAGO, London Branch

By:_________________________

Its: Vice President

THE FIRST NATIONAL BANK OF
CHICAGO, Frankfurt Branch

By:_________________________

Its: Vice President

Agreed and accepted:

HURCO EUROPE LIMITED

By: ________________________
Roger J. Wolf
Its: Director

Dated as of ________, 1999

HURCO GmbH WERKZEUGMASCHINEN

CIM-BAUSTEINE VERTRIEB UND
SERVICE

By: ________________________

Its: General Manager

Dated as of ________, 1999

HURCO B. V.

By: ________________________

Its: Managing Director

And By: ______________________

Its: Managing Director

Dated as of ________, 1999

HURCO S.A.R.L.

By: ________________________

Its: General Manager

Dated as of ________, 1999

Exhibit 10.3

EMPLOYMENT AGREEMENT

Between the Registrant and Richard Blake dated April 21, 1999

AMENDED AND RESTATED TRANSFER AGREEMENT

This Amended and Restated Transfer Agreement ("Agreement") is made and entered into as of the 21st day of April 1999, by and between Hurco Companies, Inc. ("Company") and Richard Blake ("Blake").

Recitals

A. Blake has been employed by Hurco Europe LTD. ("HEL"), which is a wholly-owned subsidiary of Company.

B. Blake is currently assigned to and working for Company pursuant to the terms of that certain Transfer Agreement dated as of January 1, 1998 (the "Transfer Agreement").

C. Company desires to modify the terms and conditions of its relationship with Blake and to enter into a new agreement with Blake which supersedes and replaces any and all previous agreements between Company and Blake.

D. Blake desires to modify the terms and conditions of his relationship with Company and to enter into a new agreement with Company which supersedes and replaces any and all previous agreements between Blake and Company.

NOW, THEREFORE, in consideration and the mutual promises and covenants contained herein and the actions taken pursuant thereto, Company and Blake agree as follows:

1. Employment. Pursuant to the terms and conditions of this Agreement, Company agrees to employ Blake and Blake agrees to be employed by Company.

2. Term of Employment. The term of employment under this Agreement shall be for a period of twenty-one (21) months commencing April 1, 1999, and ending December 31, 2000, unless sooner terminated as provided in this Agreement (the "Employment Term").

3. Duties and Responsibilities.

1. During the Employment Term, Blake's position shall be President, Machine Tool Products Division of Hurco Companies, Inc. Blake also shall perform other such services related thereto as may be designated from time to time by Company.

2. During the period April 1, 1999, to March 31, 2000, Blake will be a resident in the United States. As part of his regular duties, Blake may be required from time to time to attend business and educational meetings and activities, including return visits to the United Kingdom, for training and other business purposes. It is mutually understood that Company may exercise an option to have Blake return to the United Kingdom at any time due to the business needs of Company. Notice of such action will be given as much in advance as is feasible, dependent upon the existing circumstances at that time. Blake shall expend his entire time and best efforts performing his duties under this Agreement.

3. If and when Blake returns to the United Kingdom after March 31, 2000 and before December 31, 2000, Blake shall be responsible for special projects or such other duties as assigned to him by Company's Chief Executive Officer or the Chief Executive Officer's designee.

4. During the period April 1, 2000, to December 31, 2000, Blake may reside in the United Kingdom. Company and Blake acknowledge and agree, however, that Company may require Blake to make regular business trips to the United States, which trips shall not exceed one per month for a period of no more than three (3) weeks at a time.

5. Company and Blake acknowledge and agree that, during the period April 1, 2000, to December 31, 2000, if Blake obtains new employment, this Agreement shall terminate immediately.

4. Employment Compensation. As his entire compensation for all services to be rendered by Blake during the Employment Term, Blake shall have and receive a base salary of One Hundred Twenty-Five Thousand U.S. Dollars ($125,000.00) on an annualized basis, payable in accordance with Company's customary payroll practices (the "Base Salary").

During the Employment Term as long as Blake and his family reside in the United States, Company will pay Blake a foreign assignment premium at the rate of Ten Thousand U.S. Dollars ($10,000.00) per year, payable in biweekly installments in accordance with Company's customary payroll practices.

During the Employment Term, Blake shall also be entitled to all other regular compensation elements as may be provided from time to time in Company's policies as prepared and issued by Company.

During the Employment Term as long as Blake and his family reside in the United States, Company will provide a monthly housing allowance of One Thousand Five Hundred U.S. Dollars ($1,500.00) for housing and furniture rental. Company agrees to pay the customary deposits necessary to obtain a rental residence in the U.S.

All salary and other compensation paid to Blake shall be subject to all applicable withholdings and deductions, including without limitation withholdings for United States and foreign taxes.

5. Bonus. If Blake fulfills his employment obligations under this Agreement and remains continuously employed by Company through December 31, 1999, then in such event Blake shall be eligible to receive a performance bonus as established by Company. A performance bonus for the year 2000 will be determined by Company in December 1999.

6. Employee Benefits. During the Employment Term, Blake shall be permitted to participate in and be provided for all employee benefits which may be provided from time to time by Company at its expense including disability insurance, group life insurance, 401(k) plan, profit sharing plan, split dollar life

insurance plan, health insurance and deferred compensation plan and other benefits which Company may from time to time adopt.

7. Holidays and Vacations. During the Employment Term, Blake will follow Company's holiday schedule and will be eligible for vacation days in accordance with Company's vacation policy. All vacation days shall be taken in the manner most convenient to the business of Company. Plans for vacation should be submitted to Company in advance for approval. Unused days of vacation may not be carried over to future years.

8. Death or Disability During Employment. If Blake dies or becomes totally and permanently disabled during the Employment Term, Company shall pay to Blake or his estate the base salary which would otherwise be payable to Blake if he had performed services until the end of the month in which his death/disability occurs. Company shall have no further financial obligations to Blake or to his estate, except for any applicable employee benefits provided by Company.

9. Termination. This Agreement may be terminated without cause by either Company or Blake upon the giving of thirty (30) days' notice to the other. This Agreement shall terminate automatically, without notice, upon the death or disability of Blake or upon mutual agreement of the parties. During the Employment Term, Company may terminate this Agreement at any time, without notice, for cause based on misconduct by Blake that is injurious or otherwise detrimental to the interests of Company or HEL. If this Agreement is terminated during the Employment Term for any reason, except by Blake's voluntary resignation or by Company for cause, Company will pay for the return of Blake and immediate family to the United Kingdom including coach air fare and air freight for 1,000 pounds of baggage. If this Agreement is terminated during the Employment Term by Company without cause, Company will provide Blake severance pay equal to the lesser of: (i) continuation of the Base Salary for a period of twelve (12) months following the termination date; or (ii) continuation of the Base Salary for the period from the termination date to December 31, 2000. Any such severance pay shall be paid on Company's customary payroll dates and shall be subject to all applicable tax withholdings and deductions.

10. Other.

a. Vehicle. During the Employment Term, Company will provide an automobile and reimburse reasonable expenses incurred in connection with the business operation thereof. Fuel for personal mileage is not included. Size and model will be of the kind customarily provided to persons of comparable position in the United States.

b. Family Moving Expenses. Company will pay all reasonable expenses incurred by Blake and Blake's family in connection with such moves to and from the United States in accordance with the Company's standard "Relocation and Move Policy for Current Employees" including all packing, moving and unpacking of household furnishings, all reasonable travel, meal and lodging expenses incurred by Blake and his family during such move; and any other reasonable costs or expenses incurred in connection with such moving including insurance on personal possessions during such move.

c. Transfer Allowance. It is recognized that there are many other expenses in connection with an international move which are not covered by normal moving expense reimbursements. These expenses include replacement of personal electrical appliances, home cleaning expenses, etc. To reimburse Blake for these and similar expenses Company will pay a transfer allowance of $3,000, less applicable taxes, to Blake upon his return to the United Kingdom after March 31, 2000.

d. Trips Home. Once during the period April 1, 1999 to March 31, 2000, at a time of Blake's choice, Company will pay coach fare for air flights for Blake and members of his immediate family for a personal visit to the United Kingdom and return to the United States.

e. Tax Consultant. Compensation will be taxable during this assignment. Company will make available a tax consultant to assist with tax report preparation. If actual taxes owed by Blake on compensation during the Employment Term exceed taxes that would have been owed if Blake was working in the United Kingdom, Company will reimburse employee for the difference as evidenced by a qualified tax consultant.

11. Confidentiality. Blake recognizes and acknowledges that the information concerning Company's customers and suppliers as they may exist from time to time

and Company's technical and manufacturing processes are unique assets of Company. Blake agrees to keep confidential and will not disclose, during or after the term of this Agreement, such information or processes to any person, firm, corporation or partnership. Blake's obligations under this Section shall survive the termination of this Agreement.

12. Miscellaneous. The terms and conditions of Company's policies, as from time to time are in effect, are incorporated herein and shall be a part of this Agreement. Except as stated in the immediately preceding sentence, this Agreement contains the entire Agreement between Company and Blake and supersedes all prior agreements between them, whether oral or written, including without limitation the Transfer Agreement.

The affairs of Company and HEL, and the contents of this Agreement are confidential and are not to be disclosed or discussed with any unauthorized person irrespective of whether such person is an employee of Company or HEL.

This Agreement and the obligations hereunder shall be interpreted, construed and enforced in accordance with the laws of the State of Indiana.

No waiver or any breach of this Agreement shall be deemed or construed as a waiver of any other breach.

More than one copy of this Agreement may be executed each of which shall constitute an executed original. Any amendment of this Agreement shall be effective only if in writing and signed by both Company and Blake.

If any provision of this Agreement shall be held invalid under applicable law, such provision shall be ineffective only to the extent of such invalidity, without invalidity to the remaining provisions of this Agreement.

Blake acknowledges and agrees that he has no right to return to the employment of HEL at any time.

13. Notices. Any notices or other communications required or permitted to be given under the provisions of this Agreement shall be in writing. All such notices or communications shall be deemed to have been properly given or served by hand delivery or by depositing same in the United States mail addressed to the appropriate party, postage prepaid and registered or certified with return receipt requested at the following address:

To: Hurco Companies, Inc.
One Technology Way
Indianapolis, Indiana 46268
Attention: Brian D. McLaughlin

To: Richard Blake
One Technology Way
Indianapolis, Indiana 46268

Either party has the right to change the above address by giving thirty (30) days notice thereof to the other party.

IN WITNESS WHEREOF, Company and Blake have executed this Agreement intending it to be effective as of the date first above written.

HURCO COMPANIES, INC.

_____________________________ By: _______________________________

Richard Blake

Brian D. McLaughlin
Chief Executive Officer

Date: _______________________________

Date:__________________________

Exhibit 10.4

FORM OF DIRECTOR NON-QUALIFIED STOCK OPTION AGREEMENT

Between Registrant and Hendrick J. Hartong, Jr., Andrew L. Lewis, IV, Richard T. Niner, O. Curtis Noel and Charles E. Mitchell Rentschler

DIRECTOR NON-QUALIFIED STOCK OPTION AGREEMENT

This Director Non-Qualified Stock Option Agreement ("Agreement") has been entered into as of the 15th day of December 1998, between Hurco Companies, Inc., an Indiana corporation (the "Company") and __________ a director of the Company ("Director").

WHEREAS, the Board of Directors of the Company has granted to Director an option to purchase shares of the Company's common stock, no par value (the "Common Stock"), pursuant to the terms and conditions as provided in this Agreement; and

WHEREAS, the Company and Director desire to set forth the terms and conditions of the option;

WHEREAS, the option evidenced by this Agreement is separate and distinct from options granted pursuant to the 1997 Stock Option Plan of the Company;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, the Company and Director agree as follows:

1. Grant of Option and Exercise Price. Subject to the terms and conditions stated in this Agreement, on December 15, 1998 (the "Date of Grant"), the Committee granted to Director an option (the "Option") to purchase 15,000 shares of the Company's Common Stock (the "Shares") at an exercise price of $5.813 per Share (the "Exercise Price").

2. Non-Qualified Stock Option. The Option is not intended to qualify as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended.

3. Exercise of Option. The Option shall become fully exercisable on December 15, 1999. Notwithstanding the foregoing, the Option shall become immediately exercisable upon a Change in Control of the Company. For purposes of this Agreement, a Change in Control of the Company means (a) the acquisition of 25% or more of the outstanding shares of Common Stock of the Company; (b) any merger or consolidation involving the Company, if following such merger or consolidation, the persons who were the shareholders of the Company prior to such transaction own less than 50% of the outstanding capital stock of the surviving or consolidated corporation; (c) individuals who are currently Directors of the Company cease for any reason to constitute at least a majority of the Board of Directors of the Company (provided, however, that any individual becoming a Director whose election or nomination for election was approved by a vote of at least a majority of the Directors then comprising the current Directors, shall be considered a current Director); or (d) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company.

4. Term of Option. Unless sooner terminated as provided in this Agreement, the Option shall expire on December 14, 2004. In the event that Director ceases to serve as a director of the Company for any reason other than his death or total disability, the Option shall terminate six (6) months after termination of service. In the event that Director ceases to serve as a director because of his death or total disability, the Option shall terminate twelve (12) months after termination of service.

5. Reclassification, Consolidation or Merger. If and to the extent that the number of issued shares of the Common Stock of the Company shall be increased or reduced by change in par value, split up, reclassification, distribution of a stock dividend of 5% or more, or the like, the number of

shares subject to the Option and the Exercise Price per share shall be proportionately adjusted.

If the Company is the surviving corporation in any reorganization, consolidation or merger with another corporation, Director shall be entitled to receive options covering shares of such reorganized, consolidated, or merged company in the same proportion, at an equivalent price, and subject to the same conditions, provided, however, that the new option or assumption of the Option shall not give the Director additional benefits which he did not have under the Option, or deprive him of benefits which he had under the Option.

6. Rights Prior to Exercise of Option. The Option is non-transferable by Director and is exercisable only by him during his lifetime, except that in the case of his judicially declared incompetence or disability the Option may be exercised by the legally appointed guardian or conservator of his estate. In the case of the Director's death while any part of the Option is outstanding, the Option may be exercised by the executor of his will or administrator of his estate or, if the administration of his estate has been closed, by his heirs or legatees entitled thereto. Neither Director nor any person claiming under or through him shall have any rights as a shareholder of the Company with respect to any of the option shares until full payment of the Exercise Price and delivery to him or certificates for such shares as herein provided.

7. Restrictions on Disposition. All shares acquired by Director pursuant to this Agreement shall be subject to the following restrictions: The shares will be "restricted securities" as defined in Rule 144 under the Securities Act of 1933 ("Act") and must be held unless subsequently registered under the Act or an exemption from such registration is available. The Company is not obligated to register the shares under the Act. The shares acquired pursuant to exercise of the Option shall be acquired for Director's own account for investment for an indefinite period and not with a view to the sale or distribution of any part or all thereof, by public or private sale or other disposition. Notwithstanding the foregoing, the Company may refuse to transfer the shares until it receives an opinion of counsel for the Company that such transfer is exempt from registration under the Act or qualification under any other securities law.

8. Payment of Taxes on Exercise of Option. Whenever shares of Common Stock are to be issued to Director in connection with the exercise of the Option, the Company shall have the right to require him to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such shares. In the alternative, the Company may elect to withhold from the shares to be issued that number of shares (based on the market value of the stock at that time) which would satisfy the tax withholding amount due.

9. Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Indiana.

11. Notices. All notices and other communications required or permitted under this Agreement shall be written and shall be delivered personally or sent by registered or certified first-class mail, postage prepaid and return receipt required, addressed as follows: if to the Company, to the Company's principal office at One Technology Way, Indianapolis, Indiana 46268, and if to the Director or his or her successor, to the address last furnished by the Director to the Company. Each notice and communication shall be deemed to have been given when received by the Company or the Director.

IN WITNESS WHEREOF, the Company and Director have executed this Agreement as of the date first written above.

HURCO COMPANIES, INC.

By: ______________________________________
Brian D. McLaughlin, President & CEO

Signature of Director

Exhibit 11

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

Exhibit 11
Statement Re: Computation of Per Share Earnings

(in thousands, except per share amount)	Three Months Ended October 31,				Twelve Months Ended October 31,			
	1999		1998		1999		1998	
	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net income	$674	$674	$968	$968	$1,802	$1,802	$9,254	$9,254
Weighted average shares outstanding	5,951	5,951	6,410	6,410	5,980	5,980	6,498	6,498
Assumed issuances under stock options plans	-	50	-	142	-	81	-	172
	5,951	6,001	6,410	6,552	5,980	6,061	6,498	6,670
Earnings per common share	$0.11	$0.11	$0.15	$0.15	$0.30	$0.30	$1.42	$1.39

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

Exhibit 21

SUBSIDIARIES OF HURCO COMPANIES, INC.

Name	Jurisdiction of Incorporation
Autocon Technologies, Inc.	Indiana
IMS Technologies, Inc.	Virginia
Hurco GmbH	Federal Republic of Germany
Hurco S.A.R.L.	France
Hurco Europe Limited	United Kingdom
Hurco (S.E. Asia) Pte Ltd.	Singapore

Exhibit 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

Arthur Andersen LLP

Exhibit 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this Form 10-K of our report dated December 1, 1999 included in Registration Statement File No. 333-37401. It should be noted that we have not audited any financial statements of the Company subsequent to October 31, 1999 or performed any audit procedures subsequent to the date of our report.

ARTHUR ANDERSEN LLP

Indianapolis, Indiana,
January 24, 2000.

<ARTICLE> 5
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
QUARTERLY REPORT 10-K FOR THE PERIOD ENDED OCTOBER 31, 1999 AND IS QUALIFIED
IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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